Tithe an Oireachtais

An Comhchoiste um Ghnóthaí an Aontais Eorpaigh

An Fochoiste um an Reifreann ar an gConradh Idir-Rialtasach ar Chobhsaíocht, ar Chomhordú agus ar Rialachas san Aontas Eacnamaíoch agus Airgeadaíocht

Tuarascáil ón bhFochoiste

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Joint Committee on European Union Affairs

Sub-Committee on the Referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

Report of the Sub-Committee

May 2012

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Chairman’s Foreword

On behalf of the Joint Committee on European Union Affairs and the Sub-Committee on the Referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, I am pleased to present this report on the Treaty to both Houses of the Oireachtas.

The report derives from a series of meetings the Joint Committee and Sub-Committee held to discuss details of the Treaty. These meetings were designed to allow the members of the Committee to hear the views of and engage with a cross section of opinion of Irish society and beyond, and to stimulate debate prior to the referendum on the Treaty on 31 May 2012.

The Committee obtained the views of a number of social partners, academics, economists and Ambassadors of EU Member States. It also took into account the views of Irish MEPs and of MEPs and parliamentarians from across Europe. The Committee also benefited from presentations from the leaders of the parties and groups represented in Dáil and Seanad Éireann – An Taoiseach, Enda Kenny T.D., the Tánaiste, Eamon Gilmore T.D., Micheál Martin T.D., Gerry Adams T.D., Joe Higgins T.D., and Catherine Murphy T.D. All in all the Committee heard evidence from a total of 61 witnesses over 24 separate sessions. The Committee is extremely grateful for all these contributions which has enabled it to compile this report. I would like to acknowledge and thank my colleagues on the Committee and the staff of the secretariat for their continuous hard work and dedication in carrying out the important work of the Committee.

The Committee presents this report to both Houses of the Oireachtas as its contribution to facilitate and inform the debate during the referendum campaign.

Dominic Hannigan T.D.
Chairman
9 May 2012

Executive Summary

In advance of the referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union ("the Treaty"), the Government set up a Sub-Committee of the Joint Committee of European Union Affairs to carry out an intensive series of meetings with interested parties on issues relating to the Treaty. These meetings were held in Leinster House from January until April of this year. In all, over sixty witnesses were called to give evidence. These witnesses included economists, academics, lawyers, politicians, ambassadors and leaders from Irish civil society.

This Executive Summary provides a list of the main points of discussion from these meetings, and an outline of positions taken on them by those who spoke and made submissions. Individual summaries of each contribution are provided within this report.

- **The Purpose of the Treaty**

Most contributors agreed that the governments that signed the Treaty did so as part of a series of measures intended to provide financial stability and to remedy design flaws in the euro, particularly the lack of consistent and disciplined fiscal regimes across the Eurozone and the lack of enforcement of existing budgetary rules. However, some speakers identified different purposes, including the protection of banks and financial services interests.

Proposers made the point that the measures within the Treaty were largely a restatement of existing measures contained within the Six Pack Agreement signed in 2011 by EU countries in Brussels. They suggested that the rules were to ensure "good housekeeping" within the Eurozone.

Opponents suggested that the intention of the Treaty is to protect the interests of financial institutions at the expense of societies, to institutionalise austerity (particularly in peripheral economies), or to force member States to adopt neo-liberal economic policies rather than Keynesian ones.

- **The Economic Effect of the Treaty on Ireland**

Proponents and opponents agreed that the Treaty would require Ireland's large public debt-to-GDP ratio and budget deficits to be reduced over time. However, they differed in their views on how the Treaty would affect that.

Opponents expressed the view that the Treaty addressed the wrong issue and could not be expected to provide a solution. They argued that the crisis in the Eurozone was caused by irresponsible bank practices rather than budgetary policies. They felt that it would delay or prevent economic recovery by prohibiting investment for growth, and force severe cuts in public spending, with very serious consequences for Ireland's economy and society.

Some considered that a majority of Eurozone states would also be required to reduce deficits and borrowings, and that this would reduce demand for Irish exports.

Proponents stated their view that adoption of the Treaty would improve market confidence across the Eurozone and so reduce the difficulty of balancing Ireland's budget and reducing its public debt. They also pointed to the availability of assistance via the European Stability Mechanism (ESM) as giving both confidence to potential market lenders to Ireland and assurance to Ireland if a second bailout is required. They stressed their belief that it would encourage sound and sustainable fiscal policies throughout the Eurozone that would in time permit investment and public spending on services while ensuring that future financial shocks could be absorbed.

- **The Balanced Budget Rule: Article 3**

This rule is due to apply to Ireland from 2015 after exiting its EU/IMF programme.

Contributors agreed that whilst the measuring of a structural deficit can vary in interpretation, it is important to take into account cyclical and transitory factors when assessing a country's budget balance, and that this rule would lead to governments building up reserves in growth periods so as to be able to absorb shocks in times of recession.

Proponents argued that strong fiscal measures are unavoidable given the size of Ireland's deficit. Opponents pointed out that the Treaty ignored structural unemployment, which is very damaging to society.

- **The Debt Brake Rule: Article 4**

This rule will not have full effect until 2018 because of the 3-year transition period after Ireland leaves its EU/IMF programme.

Opponents expressed the view that if growth is absent from the economy then this rule can be met only by paying back government debt, requiring further austerity. Proponents maintained that there was potential for growth and that the effect of the rule was not as harsh as it had been portrayed.

- **Conditionality of Access to the European Stability Mechanism (ESM)**

Opponents said the purpose of this condition was to frighten the public into accepting the Treaty. Proponents took a more benign view, saying that it was reasonable for bailout lenders to expect borrowers to meet a reasonable standard of fiscal prudence.

- **Alternatives to the ESM**

Proponents of the Treaty were of the view that the ESM was the only credible source of funding that would be open to Ireland.

Alternatives to the ESM suggested by opponents included the European Investment Bank and the availability of the European Financial Stability Fund until early 2013. It was also

suggested that the threat to the euro that would be posed by an Irish default was an incentive for the EU to ensure that a bailout mechanism was found for Ireland.

Contributors clashed over whether Ireland could obtain future funding from the IMF, with some suggesting the IMF would provide funds and others suggesting that the IMF would not accommodate Ireland, making a default inevitable.

Opponents suggested new taxes on wealth as a means of funding investment for growth. Proponents felt that such taxes would be insufficient to cover the scale of the budget deficit.

- **Consequences of a Yes vote**

Proponents were of the view that that a Yes vote would help restore confidence to markets. This would help our exports and stimulate growth, investment and recovery in Ireland. The view was also expressed that even if Ireland did not need to have recourse to them, the availability of ESM funds would give significant reassurance to private lenders in the bond markets. ESM access would make a second bailout less likely.

Opponents spoke of a cycle of austerity that would be imposed under the terms of the Treaty, and a loss of control over our economic policy to unaccountable officials in the European Commission. Their view was that this would lead to a lack of investment and this in turn would lead to unemployment and social deprivation.

- **Consequences of a No vote**

Members agreed that Ireland could not block other countries from bringing into force the Treaty.

Opponents were of the view that rejecting the Treaty could present an opportunity for the Government to force a renegotiation of it and the ESM Treaty. Some took the position that rejecting the Treaty would make little economic difference as austerity would continue regardless of the referendum's outcome. However, a large majority voting No might cause Europe to pause and reflect.

Proponents generally held the view that rejecting the Treaty would have serious and long-lasting consequences for Ireland. Among those consequences were loss of access to the ESM, the creation of a perception that Ireland was not serious about fiscal responsibility, an undermining of Ireland's influence and ability to negotiate urgently needed reforms of EU financial and monetary policy, and prejudicing Ireland's ability to attract and retain foreign direct investment. Rejecting the Treaty in the referendum would not make a great difference to the fiscal rules affecting Ireland, as the EU measures in the Six-Pack were very similar to those in the Treaty.

- **The Prospects for Recovery**

Both opponents and proponents agreed that Europe urgently required an economic stimulus package and financial reform. A number of other potential measures were also suggested, such as the federalisation of debt through eurobonds.

Views differed on the relevance of the Treaty to such measures. Some opponents stated that there was no intention to ever undertake those measures and that they would never be introduced. Some proponents stated that the Treaty is a “gateway reform” paving the way for other measures needed for a better functioning economic and monetary union, including transfers to poorer member states and a bank resolution scheme.

- **Legal issues**

There was a discussion about whether a veto existed on the entry into force of the ESM. Some opponents contended that the Government could decide not to amend Article 136 of the Treaty on the Functioning of the EU and by doing so, they would block the introduction of the ESM (claiming that, in effect, a "*secondary veto*" exists). Opponents contended that this would provide the government with an opportunity to seek revised terms for ESM access.

Proponents stated that legal advice obtained by the UK European Union Committee suggested that that whilst amending Article 136 was desirable, it was not necessary to do so to enable the ESM to come into play. Others said that there was no certainty that the EU would not find some other way to get around the issue of amending Article 136, should it be delayed.

The full text of the Treaty can be found in Appendix 4.

Introduction

The main task of the Joint Committee on European Union Affairs is to consider issues arising from Ireland's membership of the European Union and Ireland's adherence to the EU Treaties. Following the Attorney General's recommendation that the Government hold a referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, the Joint Committee was of the view there was a need to have an informed and balanced debate on the Treaty. To facilitate this debate, it agreed to establish a Sub-Committee of the Joint Committee which would seek to host an extensive discussion on the Treaty and the referendum's implications for both Ireland and the European Union.

The role of the Sub-Committee was to consider the Treaty, the fiscal stabilisation measures that have preceded it and various other issues relating to Europe's response to the Eurozone Crisis. The Sub-Committee also considered and discussed the European Stability Mechanism (ESM), the reinforced Stability and Growth Pact ("Six Pack" measures), the "Two Pack" measures, and the legal characteristics and implications of the Treaty should it be ratified.

In the weeks following the announcement of the referendum, the Sub-Committee heard from a range of speakers from across the various sections of Irish society and across the EU. To ensure that there was a broad discussion, certain themes were pursued –

- *Views on the Treaty from across the European Union and the role of the Institutions should the Treaty be ratified.*
- *The reaction of Irish society to the Treaty: civil society, interest and political groups*
- *The realities of what the Treaty means for Ireland: understanding the facts*

By inviting speakers from such a diverse range of organisations and backgrounds, including both supporters and opponents of the Treaty, the Sub-Committee hopes that it has contributed positively to the debate in the run up to the Referendum.

A complete list of individuals and groups who appeared before the Sub-Committee at its meetings in Leinster House is contained in the Appendix. Full transcripts of all meetings and submissions received, video clips of Sub-Committee Members reflecting on the debates, the Oireachtas Library and Research Service briefing note on Treaty and the full text of the Treaty itself are available on the Committee's web pages at www.euaffairs.ie.

Background

The Intergovernmental Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union (the Treaty) was signed in March 2012. It is one of several measures that EU leaders negotiated 2011 and 2012 in response the economic crisis. Others include revisions - commonly called "the Six-Pack" - to the Stability and Growth Pact (that is, the rules on budgets and government debt that EU members first agreed in 1997 to underpin the European Monetary Union) and an EU bailout fund called the European Stability Mechanism (ESM).

The Six-Pack and ESM were agreed by all EU member states and are being implemented through EU laws and (in the case of the ESM) an amendment to the Treaty on the Functioning of the EU. However, only 25 of the 27 EU member states agreed to sign the Treaty. For that reason, it is an intergovernmental Treaty, not an EU one. It is intended to apply to all countries that use the euro as their currency, as well as to other EU countries that do not use the euro but that approve the Treaty. The United Kingdom and the Czech Republic are the only EU countries that have not signed the Treaty, though the Czech government has said that it may do so in the future.

In a referendum to be held on 31 May, the people of Ireland will be asked to amend the Constitution to allow the State to ratify the Treaty and to exempt laws passed and actions taken pursuant to it from being challenged under the Constitution.

Changes from the Stability and Growth Pact

The Stability and Growth Pact (SGP) required states to maintain budget deficits of 3% or less, while the Treaty sets a general requirement to maintain balanced budgets and a limit on structural deficits (that is, a State’s budget deficit after taking account of the stage of its business cycle and temporary or one-off factors) of 0.5% or, in some cases, 1%.

Under the SGP, States agreed to limit their government debt to 60% of their GDP; where it exceeded that amount, the State was required to make reductions towards the 60% limit. The Treaty maintains the 60% limit but specifies that, where it is breached, the State must reduce the excess by 1/20th per annum. This provision already applies to Ireland under the Six-Pack rules, so the Treaty will not change this requirement.

A third area of difference is in relation to enforcement. The SGP operated under EU rules and could be enforced against a State only if a majority of the EU Council voted in favour of doing so. Under the Treaty, balanced budget rules are to be enforced automatically through States’ own laws, with a second level of enforcement through EU institutions. Where a State breaches the rules, enforcement measures will apply unless a qualified majority of member states votes against doing so, the inverse of the situation under the SGP.

Contents of the Treaty

- **Recitals**

The Recitals set out the general background to the Treaty and the overall intentions of the States that signed it. Recital 25 points out that assistance under the ESM will, from 1 March 2013, be conditional upon ratification of this Treaty and on compliance with Article 3(2), discussed below.

- **Article 1: Purpose of the Treaty**

Article 1 states the purposes of the Treaty as being:

- to strengthen the economic pillar of the economic and monetary union by adopting a set of rules intended to foster budgetary discipline through a fiscal compact;
- to strengthen the coordination of their economic policies; and
- to improve the governance of the euro area,

thereby supporting the achievement of the European Union's objectives of sustainable growth, employment, competitiveness and social cohesion.

- **Article 2: Relationship with EU Law**

Article 2 defines the relationship of the Treaty to the laws and treaties that govern the EU. It provides that the Treaty may not be interpreted or acted on in any way that could breach EU law or policies. Similarly, it may not encroach on the powers of the EU to act in regard to monetary union.

- **Article 3: Balanced Budget Rules**

Article 3 requires States to implement laws that are binding, permanent, and preferably of constitutional character, to give effect to balanced budget rules.

Paragraph 1(a) commits each State to having budgets that are balanced or in surplus. Paragraph 1(b) provides that a balanced budget is to be measured by reference to the State's structural balance.

Under the Six-Pack, each State has a 'Medium Term Objective' setting budgetary targets including its structural balance. Paragraph 1(b) provides that a State's budget is balanced as long as its Medium Term Objective shows a structural deficit no greater than 0.5% of its GDP. Each State must "converge rapidly" towards its Medium-Term Objective over a time-frame proposed by the European Commission, though allowance can be made for exceptional circumstances that have a severe impact on its financial situation, such as severe economic downturns. If the State's debt-to-GDP ratio is significantly less than 60%, it may run a structural deficit of up to 1%.

If the State deviates from its Medium-Term Objective (or from convergence on it), its budget laws must trigger an automatic “correction mechanism”. That mechanism must require the State to correct the deviation and specify the time in which the country must do so. The

correction mechanism must follow common principles to be proposed by the European Commission.

Paragraph 2 of Article 3 commits States to passing the laws containing these rules within one year after the Treaty enters into force, which will be on 1 January 2013, provided 12 Eurozone States have ratified it. This requirement is subject to enforcement under Article 8, discussed below.

- **Articles 4 - 7: Debt Brake Rules**

Where a State's debt-to-GDP ratio is greater than 60%, it must reduce the ratio to 60% at an average rate of 1/20th of the excess per year. Failure by the State to act to reduce its debt to the 60% limit will trigger an "excessive debt procedure", that is, a set of EU enforcement procedures and sanctions including fines that can be imposed by the European Court of Justice. Article 5 seeks to prevent large states vetoing excessive debt procedures under the debt brake rules. It does so by providing that a State that breaches the 60% limit can avoid an excessive debt procedure only if a qualified majority of the other euro currency States vote in the EU Council against applying the procedure.

A State that enters an excessive deficit procedure must submit to the European Commission and Council proposals on how it will reduce its debt-to-GDP ratio to 60%. Those institutions must endorse the proposals and will monitor how they are given effect.

Article 6 seeks to improve the co-ordination of government bond issuance by providing that States shall notify the European Commission and Council in advance of issuing such bonds.

- **Article 8: Enforcing Article 3(2)**

Article 3(2) requires States to implement laws that require balanced budgets and create correction mechanisms for when their structural deficit exceeds the defined limits of 0.5% or 1%. Article 8 provides that, if the European Commission or another State believes that a State has failed to meet this requirement, the matter may be brought to the European Court of Justice. Failure to respect a finding by the Court that Article 3(2) has been breached can be punished by a fine of up to 0.1% of the offending State's GDP. If a State being fined uses the euro, the fine is payable to the ESM; other countries will pay to the general EU budget.

Paragraph 3 provides that the Treaty is a “special agreement” for the purposes of Article 273 of the Treaty on the Functioning of the EU. Article 273 gives the European Court of Justice jurisdiction to decide cases that are subject to special agreements between member states and that relate to the subject matter of the EU treaties.

- **Articles 9 - 11: Economic Co-operation and Convergence**

These Articles provide that all States shall work to enhance economic convergence so as to promote the proper functioning of the euro area, with the objective of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability. Article 11 provides that States shall, when appropriate and necessary, use EU enhanced co-operation procedures to do so, but in a way that will not undermine the EU's internal market.

- **Article 12: Euro Summits**

This Article provides that Euro Summits shall be held at least twice a year to discuss and review issues affecting the euro and the States that use it. The Article provides for co-ordination and co-operation with the EU Commission, as well as the involvement in States that do not use the euro. The President of the European Parliament may be invited to speak.
Article 13 provides for a conference of relevant committees of the European Parliament and of national parliaments to discuss budgetary policies and other issues covered by the Treaty.

The Debate

The Joint Committee began its consideration of the Treaty prior to the announcement on the referendum and the subsequent decision to establish the Sub-Committee. In this context, the Committee met on six occasions with a cross section of Irish and European society.

Following the establishment of the Sub-Committee, three modules were identified under which the contributions from witnesses have been grouped:

- Module 1: Views on the Treaty from across the European Union and the role of the Institutions should the Treaty be ratified.
- Module 2: The reaction of Irish society to the Treaty: civil society, interest and political groups
- Module 3: The realities of what the Treaty means for Ireland: understanding the facts

Detailed below is a summary of the key points raised during meetings of the Joint Committee and Sub-Committee.

Module 1: Views on the Treaty from across the European Union

Date	Witnesses
22 February 2012	Michael Link, Minister of State at the Federal Foreign Office of Germany
1 March 2012	H. E. Javier Garrigues, Ambassador of Spain H. E. Dr. Eckhard Lübkemeier, Ambassador of Germany H. E. Emmanuelle d'Achon, Ambassador of France
7 March 2012	Delegation from the Swedish Riksdag
3 April 2012	H. E. Dr Tomas Kafka, Ambassador of the Czech Republic H. E. Diana Zagourianou-Prifti, Ambassador of Greece H. E. Marcin Nawrot, Ambassador of Poland H. E. Niels Pultz, Ambassador of Denmark Paul Murphy, MEP for Dublin Nessa Childers, MEP for Ireland East Marian Harkin, MEP for Ireland North-West Phil Prendergast, MEP for Ireland South William Cash MP, Chairman of the European Scrutiny Committee of the House of Commons
4 April 2012	Sharon Bowles, MEP for South-East England and Chair of the Economic and Monetary Affairs Committee of the European Parliament Lord Lyndon Harrison, Chair of the House of Lords Sub-Committee on Economic and Financial Affairs, and International Trade
26 April 2012	Jonas Sjöstedt MP, Swedish Left Party

Michael Link, Minister of State at the Federal Foreign Office of Germany

- Ireland is a positive example in its readiness to undertake reform, which has required some very tough measures. Germany has every interest in supporting Ireland in this, in promoting both fiscal stability and growth and jobs.
- Most European member states have a common understanding of fiscal sustainability and budget discipline. This is what has led to the Fiscal Compact. The promotion and development of the Single Market is also very important.
- Europe is about common values and rules, not just fiscal stability. A common foreign, defence and security policy are priorities for Germany.
- Renegotiation of the Fiscal Compact would require overturning agreements reached among 25 states after extensive negotiation. The remarks by François Hollande about renegotiating the Fiscal Compact were said in the heat of an electoral campaign and should be viewed accordingly.
- There is a clear need for growth in Europe: stimulus is on the agenda for the next Council meeting.
- To ensure its fiscal stability, Germany has taken painful measures over the last 20 years, despite their unpopularity.
- The ESM firewall is essential for the health of the Single Market, which is in Germany's interests.
- Concerning the Anglo Promissory Notes, that matter is under consideration by the Eurogroup. It is important for Ireland send the right signals and avoid suggesting that it is “not on track”.
- The German government is not in favour of eurobonds. Germany’s Constitutional Court as already ruled them out, at least under the existing EU treaties.
- Germany is not seeking austerity for its own sake, and it is not in Germany's interest to “kill the rest of the EU”. Development in Germany requires other countries to develop also. It should also be borne in mind that Europe is a project for peace.
- In the past, Germany did not respect the Stability and Growth Pact, but it will do everything it can to keep the euro together in the present crisis. The lesson of history is that Germany must play an integrating role, not a polarising one.
- German banks did lend irresponsibly during the boom years, but there was irresponsibility on both sides. The lesson is that reform measures - including the Fiscal Compact, the Euro-Plus Pact, and the debt brakes - will help to prevent this recurring.

H. E. Javier Garrigues, Ambassador of Spain

- Spain favours the Fiscal Compact and has already begun enacting legislation to include a 60% debt brake, limits on deficits, financial reform and labour market reform.
- The Fiscal Compact is an essential instrument for stabilising the Eurozone and, together with stimulus measures, promoting sustainable growth.
- Acute unemployment and debt problems require a sound basis for recovery. Spain sees Europe as central to the solution.
- EU economic dynamism must be recovered without losing solidarity, common values, or the European social model.
- Because of educational levels and the English language, Ireland has outlets such as emigration that are not as available to the young Spanish unemployed. For that reason, Spain sees the Fiscal Compact as vital for its recovery.

H. E. Dr. Eckhard Lübkemeier, Ambassador of Germany

- The current crisis is exceptionally grave but can be solved with sufficient will and determination.
- The survival of the European Union is a worthwhile objective.
- A strong and united Europe is in the best national interests of EU member states and of the European Union generally.
- Internationally, a strong EU ensures that we share the risks and benefits of globalisation and that account is taken of EU values and interests.
- The euro is an essential buttress of a prosperous and powerful EU. It is in our interests to reinforce it.
- This crisis is an opportunity to reinforce the euro's foundations and to correct structural deficiencies such as excessive public and private debt, uncompetitiveness, and “too much financial alchemy”. The Fiscal Compact is an important step towards remedying those design flaws.
- It is essential to reduce debt in a way that is convincing to the European public, as well as to private investors.
- Financial stability is not an end in itself, but a means to sustainable growth and employment.
- The German Government, political parties and the German people are fully committed to the euro, and will continue to support it even if it exposes them to substantial risks and costs. However, this requires a matching commitment from other states. 40% of Germany exports are to Eurozone countries, 60% are to the EU generally. Germany will not allow the euro to fail.
- Accordingly, Germany is fully committed to the EU. Germany has a political as well as financial interest in its survival and stability.
- Following reunification, Germany ran large deficits and suffered high unemployment and low growth. Painful reforms had to follow, but they led to the strong economy Germany enjoys today.
- It is crucial that Ireland is on board with the Fiscal Compact because the integrity of the euro is at stake.
- The Fiscal Compact has no bearing on questions of tax convergence or on the CCCTB.
- Germany is not in favour of eurobonds in the short term. They are not a solution to the present crisis. Their introduction at this stage would undermine Germany's AAA rating, which would in turn prejudice the ESM. However, they cannot be ruled out in the longer term.
- The Fiscal Compact is an essential quid-pro-quo for the ESM, because investors must have assurance that their borrowers will be able to repay.
- It may be necessary to work towards the structural reform of the EU to enhance the role of supranational institutions, but this must be accompanied by greater involvement of the people, especially through national parliaments.

H. E. Emmanuelle d'Achon, Ambassador of France

- France welcomes the Fiscal Compact as part of the overall measures (including the euro-plus pack, Six-Pack, and the European Semester) to boost growth and reform economic governance. Drastic reform was required in these areas throughout Europe.
- The Fiscal Compact will strengthen the EMU pillar of the EU through enforceable rules

on budgetary discipline. It is also a welcome complement to the ESM, to which France will contribute approximately 20% of the total fund.

- The Fiscal Compact is not an “austerity Treaty” but a commitment to fiscal responsibility that complements the ESM. It is a necessary counterpart of solidarity.
- France is a major proponent of fiscal responsibility, though it has in the past failed to uphold that value itself. European Monetary Union is an important historical process that is designed to bring real benefits to present and future EU citizens.
- Growth and job creation are also required in Europe but they must be based on budgetary stability.
- The Fiscal Compact will not create a two-speed Europe: on the contrary, European integration is deepening.
- France has taken tough budgetary measures itself, including large reductions in the number of civil servants and pension reforms. But it has also adopted growth-promoting measures at both national and EU levels such as investment in higher education, SME development and EU training schemes.
- While the French parliament has approved the Fiscal Compact, full ratification will not happen until after the presidential election.
- The European Council is exploring ways to promote growth and employment through stimulus measures.
- A failure to adopt the Fiscal Compact would give the wrong message to the markets and to international opinion, and indicate that there is no unity in Europe.
- It is too soon to consider whether eurobonds should be issued.

Delegation from the Swedish Riksdag

Susanne Eberstein, Deputy First Speaker of the Riksdag, Social Democratic Party:

- The lesson of the Swedish banking crisis of 1994 - 1995 is that hard decisions must be taken in the long-term interests of one's country. In times of crisis this requires unity in parliaments between the government and opposition, but equally important is that the people are informed of the true depth of the crisis and are involved in discussing how to deal with it. Very difficult decisions were required and the Prime Minister publicly expressed the humiliation that Sweden had to endure. But those decisions were worth taking because they helped Sweden to recover and to face into the present crisis in better shape than it might otherwise have.
- The crisis in the 1990s affected Sweden differently than the current crisis is affecting, for example, Greece because cutbacks were from a much higher level. Having its own currency, with the ability to control money supply and interest and exchange rates was an important part of Sweden's solution to its problems.
- Cooperation and solidarity are central values of the EU. Sweden is ready to help Ireland in its dealing with the EU, particularly concerning unemployment, which is the major problem now facing Europe. When small countries cooperate, they can have great influence in Europe. It is worth noting that Norway adopts all major EU proposals and regulations, and even contributes to the EU budget. But it is not a member and so has no say in how those decisions are taken.
- Sweden is not a member of the euro, (and a majority of Swedes are very sceptical about joining) so the Fiscal Compact is not a concern. However, Sweden has similar control mechanisms for fiscal stability. All budget proposals are bundled in a single package, so government and opposition budgets must be approved or denied as a single measure:

there is no piecemeal approval of individual measures.

Hans Backman, Liberal Party:

- Unemployment is a very important concern. Education and connection to the labour market is an essential part of the solutions. The Swedish Government is reforming the school system including technical education, and students will be encouraged to learn how to start their own businesses.

Emma Henriksson, Christian Democratic Party:

- Public awareness of the nature of the crisis is important. If the people understand that there is a deep crisis, they will be able accept difficult measures to solve it. Being in a crisis often allows difficult decisions to be taken in a way that that would be harder in less demanding times. One of the lessons of the Swedish crisis in the 1990s is that it is important to do the right things before the next crisis. We learned in 2007-2008 that we had not done all that we should have, but fiscal restraint did help us to ensure that we had money for the present crisis.

H. E. Dr. Tomas Kafka, Ambassador of the Czech Republic

- Since joining the EU in 2004 the Czech Republic has gained a reputation of being something of a troublemaker in relation to the Union. To an extent this is because the EU today does not resemble very much the union that the Czechs joined eight years ago. More importantly however, Czech reservations about recent European initiatives, including the Fiscal Compact, reflect internal debates and political divisions within the Czech Republic, rather than an anti-EU policy.
- The Czech Republic has not signed up the Fiscal Compact but does not rule out doing so. Article 15 of the Compact reflects a Czech initiative during the negotiations to permit non-Eurozone members of the EU to sign up later if they choose to do so.
- The Czech Republic is currently undergoing an austerity regime so as to bring its economy and fiscal situation in line with the original Stability and Growth Pact in the Maastricht Treaty. It has made substantial contributions to the IMF. It is also, along with Ireland, one of twelve signatories to an initiative calling for a European growth agenda focused on deepening and completing the Single Market. These show that the Czech Republic is not committed to an anti-EU or troublemaking policy.
- The Czech Republic is not trying to cultivate a troublemaking image as a tactic. There are divergent opinions on EU policy and direction at all levels of Czech society from the general public to the very highest levels. It is important not to confuse this internal Czech debate with external policy in relation to the EU.
- The reasons for the Czech troublemaking image reflect the country's history over the last century. Beliefs in progress and national cohesion have at times been undermined and have given rise to a national sense of scepticism. But this is not the same as negativism. The Czech Republic is open to persuasion.
- In relation to the Fiscal Compact, it is important to bear in mind the cost of remaining outside the process, against the cost of enhanced integration within the Eurozone and EU.
- The Fiscal Compact is intended to restore mutual trust and confidence in the EU: if it works, the growth agenda will be much more focused than it is now, and, if sufficient trust is restored, eurobonds will be reconsidered. It is important to adapt our lifestyle to the current situation and face up to the costs and forego the benefits we enjoy. This is

painful but will help us face the challenges of the future.

H. E. Diana Zagourianou-Prifti, Ambassador of Greece

- The economic crisis that began in 2008 is one of the deepest recessions since the 1930s. It has led to Greece implementing major reforms in order to restore its fiscal balance, restore its financial sector, and transform its economy as whole. Reforms have covered areas such as fiscal management, tax administration, pension and health systems, labour markets and opening up closed professions. Virtually all aspects of economic activity are affected. The Greek Government is also implementing an ambitious privatisation plan. The aim is to place Greece on a path of sustainable growth while ensuring long-term viability of public finances. These measures have required sacrifices by the Greek people but are producing results. The primary deficit has been reduced to 2.4% and Greece has regained 50% of its competitiveness.
- The situation in Greece has not been accurately reported or commented on in the media. Greece's first programme was in some senses experimental. There were mistakes in the way that it was implemented but these were not recognised either in Greece or the EU. The cuts that were made were severe and had serious effect on the people. More effort should have been devoted to structural reforms rather than cuts. The second memorandum, which was intended to remedy the mistakes of the first, also requires cuts. Greece is now running surpluses but its economy has entered a deep depression. Investors are beginning to regain confidence in Greece. While that helps to increase confidence, more cuts will prove necessary, which undermines confidence. It is important to proceed to structural reforms, such as reducing the number of civil servants and reforming professions. Default is not an option. Austerity is inevitable but it would be better if there were some growth also.
- The Fiscal Compact, together with ESM Treaty and the euro-plus pack, are steps to enhance economic and fiscal union at the European level. The Fiscal Compact provides mechanisms for states to undertake the structural reforms needed for effective and durable correction of excessive deficits. This should be enhanced by increased powers for the EFSF, ESM and/or the ECB, as well as the staged introduction of criteria-based common debt instruments. These would provide a safety net for the common currency and help provide a way out of the crisis. It is also important to make growth a central strategy and EU priority. Means of doing this would include completion of the Single Market, credit measure to increase liquidity, Structural Funds and project bonds for key infrastructure projects.
- The Fiscal Compact arose from the need for sound and sustainable public finances, to prevent excessive government deficits, and to ensure the stability of the euro are as a whole. It will ensure that EU institutions and non-euro member states are involved as appropriate in these matters.
- Greece is satisfied with the Fiscal Compact because it contains provisions respecting the roles of social partners, reference to sustainable growth, employment and social cohesion. It also assures that automatic penalties are not imposed for not meeting debt ceilings. Accepting the Fiscal Compact was relatively easy for Greece because the need for a tool to manage and prevent excessive deficits was apparent. The Greek Parliament ratified the Fiscal Compact and the ESM Treaty on 28 March 2012.
- Greece strongly believes in Europe and its potential. The present crisis can be overcome with the necessary hard work, shared values, common institutions and, most importantly,

solidarity among member states.

H. E. Marcin Nawrot, Ambassador of Poland

- The Fiscal Compact will further strengthen fiscal discipline in the euro area. At the same time, it preserves the central role in the EU of the European Council and will not interfere with the institutional order of the EU. Poland is thankful for the understanding of its position by its European partners, especially Ireland. This has allowed Eurozone fiscal issues to be addressed while preserving the integrity and cohesion of the EU.
- Although it is not a Eurozone country, Poland is a party to the Fiscal Compact because membership permits Poland to participate in key decisions on fiscal and economic decisions in Europe. It also strengthens Poland's image as a state at the heart of the most important European political processes, and caring for the common interest of the EU. As a party, Poland will be able to shape the decisions and influence the future direction of European summits.
- The accession of Poland and other non-euro member states is important because it reduces the division in the EU between Eurozone countries and those who do not belong to the common currency.
- As a future member of the Eurozone, it is important for Poland to be able to participate in shaping the rules and possibly influence EU policies in this area, for example, concerning the EU's multi-annual financial framework. This is of key importance given Poland's needs for development and economic growth.
- Poland's approach to the Fiscal Compact reflects its experience over the last 20 years. Fiscal discipline has worked for Poland. Poland already has a legislative budget limit, which has worked and helped to ensure growth, which was 4.2% in 2011 and is estimated at 3% this year.
- It is important for the EU to act together in resolving the current crisis. Problems must be shared, and all member states are part of the European economy. There are grounds for optimism, and that is based on the reality of the approach in the Fiscal Compact.

H. E. Niels Pultz, Ambassador of Denmark

- Although Denmark is not a member of the euro, it has approved the Fiscal Compact. Denmark did this because it sees the Fiscal Compact as an essential tool for Europe to recover from the debt crisis and to restore credibility and sustainability to public finances, which are essential for growth and jobs. If all European countries had followed the rules in the Fiscal Compact, it is unlikely that Europe would be experiencing sovereign debt crises today.
- The current crisis also a crisis of confidence. Restoring sound and sustainable public debt and deficits is a precondition for restoring confidence and stimulating growth.
- Pro-growth measures are also essential, so Denmark will be using its EU Presidency to promote strong growth and job creation through structural reforms and Internal Market initiatives. These will depend on the confidence that comes from putting our house in order.
- Like Ireland, Denmark has a small open economy that relies heavily on exporting and foreign direct investment, principally with EU partners. Denmark therefore depends on the Eurozone remaining stable and functioning well. That is why Denmark supports and

signed up to the Fiscal Compact.

- An important feature of the Fiscal Compact is that it permits discussion of economic policy at both national and group levels within the context of a continuous policy instrument. Although Denmark has its own currency and devaluation was theoretically an option for getting out of recession, Danish policy was to link the currency to the euro so as to ensure stability in trade and investment. Denmark views the Fiscal Compact not only as a fiscal Treaty but also as a broader macroeconomic policy. It facilitates action on structural reforms that are needed to deal with problems such as competitiveness, which has declined in the last 10 years.
- Support for the Fiscal Compact is shared by the Danish Government and a broad majority of the Danish Parliament, which will shortly approve a new budget law to implement it. The definition of the structural deficit in Denmark's law is not the same as that used by the European Commission, which Denmark feels does not make sufficient allowance for fluctuations. This issue is being agreed with the Commission.
- The Fiscal Compact reflects the fundamental principles of Danish economic policy over the last 25 years. As the Fiscal Compact will enhance the credibility of Europe's macroeconomic policy, it will also enhance Denmark's. The Fiscal Compact has been described by an Irish economist acting as the first line of defence against excessive public debt. He also noted that it was more appropriate for fiscal rules and policies to be implemented by states themselves, rather than from Brussels. Denmark agrees with this description. The Fiscal Compact is an important prerequisite for re-establishing the credibility of economic policy in Europe and moving on to the growth agenda.

Paul Murphy, MEP for Dublin

- The purpose of the Fiscal Contract is to impose synchronised austerity across Europe. This will result in cuts and tax increases on ordinary working people in Ireland and throughout Europe. It will cause a much deeper economic crisis. It is also an attack on peoples' democratic right to elect governments that will adopt economic policies of their own choice.
- A detailed analysis of the text of the Fiscal Compact shows that it means austerity. The Yes campaign does not engage on the actual text of the Treaty.
- Article 3 is the most crucial provision. It limits structural deficits to a maximum, for Ireland and most other countries, of 0.5%. If we do not meet that target, an automatic correction procedure is triggered. This means that a debt brake takes effect, imposing austerity, causing misery for ordinary people and worsening the economy.
- The structural deficit is an abstract theoretical construct and is very difficult to define. Different economists use different approaches. For example, the IMF assessed Ireland's structural deficit as 5.4% in 2006, while the European Commission said we had a structural surplus that year of 2.2%. The European Commission's method of measuring the structural deficit discriminates against countries that have higher social welfare payments and public spending.
- The Department of Finance estimates that in 2015 Ireland's structural deficit will be 3.7%. If the European Commission demanded that we reduced that to 0.5% in a single year, it would mean cuts and extra taxes of €5.7bn. If it required the reduction to be completed over two years, we would still have an extension of austerity. The effect would not be limited to the cuts, because austerity reduces the country's GDP. It would put Ireland into a downward spiral.

- The effect of the structural deficit rule across Europe would be an economic disaster. The Commission estimates that 18 out of 25 signatories of the Fiscal Pact are running structural deficits. If the Commission required them all to eliminate their structural deficits simultaneously, there would need to be a total of €166bn of cuts across the EU, which would be devastating, even if it were spread out over four years. It would also shrink the GDPs of the affected countries. This opinion is shared even by economists who are not socialists.
- Article 4 deal with debt reduction. If a country's debt-to-GDP ratio is greater than 60%, it must reduce it by 1/20th of the excess per year. A country can reduce the ratio by growing its economy, so that the debt represents a smaller proportion of it. But growth will not be possible where austerity is imposed. The only other way is for the country to pay its bondholders both the principal and interest on their bonds. Ireland's debt-to-GDP ratio is around 120%. If this this rule were to be applied in 2015, it would require a 3% annual reduction of government debt, or €4.5bn principal on top of interest payments of €9bn. Applying the same rule across Europe would require a debt reduction of €115bn. Without growth, this would be devastating in its deflationary effect.
- The structural deficit targets will, in the long run, reduce public debt to between 20 and 25%. This reflects the neoliberal vision which opposes public spending and favours privatisation. The only way to solve Ireland's unemployment problem with 45,000 on the live register, is to create jobs. Despite the economic slump, corporate profits have risen. This shows that the private sector will not invest sufficiently to get us out of this crisis. But the Fiscal Compact rules out the public investment that will be necessary to restore the economy.
- The Fiscal Compact is also an attack on democracy because it overrules the people's right to elect a government that will adopt economic policies other than neoliberal ones. It even rules out moderate Keynesian policies. Article 5 also raises issues in terms of transfer of powers to European institutions and should be reconsidered.
- Access to the ESM is not a good reason to vote for this Treaty. It is a blackmail clause. There will be no vote on the ESM Treaty or the amendment to the Treaty on the Functioning of the EU. If we reject the Fiscal Compact, the pressure will be on the Government to hold a referendum on the ESM Treaty or to veto it - which it has the power to do - unless the blackmail clause is removed.
- If Ireland ratifies the Fiscal Compact, it will have access to ESM assistance only if the assistance is indispensable to the financial stability of the Eurozone as a whole and of its member states. If Ireland does not ratify the Fiscal Compact, but assisting it is indispensable is the stability of the Eurozone, is it not likely that a way will be found to make it happen?
- The Government's policies are leading Ireland towards a second bailout. We need a fundamental change of direction on economic policy, with public investment to create jobs and redevelop the economy, public ownership of key sections of the economy, and an economic plan for redevelopment.
- If Ireland rejects the Fiscal Compact, it will help provoke a debate across Europe about the kind of Europe we want. We would not be alone in rejecting austerity under this Treaty.

Nessa Childers, MEP for Ireland East

- Although I have serious concerns about the Fiscal Compact, I see it as a bitter pill that we

must swallow. Despite its focus on controls and lack of focus on jobs, the loss of market confidence and of access to the ESM that would result from rejecting it would cause greater insecurity for Irish families and business. Approving it in the referendum will support Government's strategy of placing itself in a strong negotiating position.

- The Stability and Growth Pact in the Maastricht Treaty was a voluntary arrangement. The Fiscal Compact deals only with stability, and contains compulsory rules. We need to ratify the Fiscal Compact and then work to add growth elements that are underpinned by fair, progressive and just taxation. It is encouraging to see that a review of the Fiscal Compact to include a growth agenda is being discussed in France by Mr Hollande and by German opposition parties. It is also possible that the Fiscal Compact will fail to be approved in other European states, or that it will wither on the vine. However, it is important for the Government's negotiating strategy that Ireland not be responsible for its failure.
- The Fiscal Compact is a political Treaty that reflects an unwillingness to bail out countries that do not have strict financial controls.
- Access to further assistance from the EU and ECB will have to be through the ESM. Under the terms of the ESM Treaty and the Fiscal Compact, ESM access is conditional upon ratifying the Fiscal Compact. That is why the referendum on the Fiscal Compact is critical. If we were to rely on the IMF for a bailout, we could expect to receive it on far worse terms, and China and the USA would be in control of the deal.
- The Fiscal Compact is only a part of the solution to the crisis. Much further work is still needed. Europe also needs to regulate the banking sector to prevent similar crises in future. Member States must work together to find creative, realistic and long-term solutions. Quick-fix solutions will not work.
- Investment and job creation could be funded by a Financial Transaction Tax, as proposed in the European Parliament by the Socialists and Democrats Group. Although there has been resistance to this proposal, there is no real evidence that it would cost jobs, and a European Commission assessment shows it would create growth. We also need eurobonds, which States could use to issue up to 60% of their government debt. These measures could promote investment and help create millions of jobs.
- We must get back to the community approach, involving the Commission, European Parliament and Member States in rebuilding Europe's economy and future.

Marian Harkin, MEP for Ireland North-West

- The Fiscal Compact will not solve our current economic and fiscal problems. It is good for some northern European economies, but not for ours. I am concerned that developments in Europe are splitting apart not just European governments, but also the people of Europe.
- The Fiscal Compact will not solve the banking crisis. The European Commission is taking steps to address bank resolution, but the solution is still far away.
- The only way in which Ireland can grow its economy is through exports. However, without our own currency we cannot devalue to become more competitive. The EU is not an export economy. It will become one only if other countries increase imports, but that seems unlikely.
- Austerity is not leading to stability. Apart from growth, eurobonds are now needed to mutualise debt. Pro-cyclical policies are not working in Ireland. This problem must be solved before the economy is bled dry.
- The Fiscal Compact is not an EU Treaty, it is an intergovernmental Treaty. How will it

relate to EU treaties, law and institutions? The European Court of Justice is supposed to decide issues under the Fiscal Compact, such as whether a country has breached the 0.5% structural deficit rule. However, Article 273 of the Treaty on the Functioning of the EU is said to provide a weak legal basis for doing so. There is no clarity on any of these issues.

- The Government should not have moved to hold a referendum on the Fiscal Compact so quickly. We should have waited to see how the debate develops in France and other countries.
- Unlike the UK, Ireland is a member of the euro. The euro has become a straitjacket. The way it is currently constructed does not favour Ireland, as shown by interest rate policies before the crisis. The Eurozone is being pulled into a fiscal union, which seems to be essential to its survival. Are we looking at a 100-year republic? What, if any powers are we willing to transfer to Europe as part of a fiscal union? What, if any, sort of union would suit Ireland? Will essential questions, such as debt forgiveness, be addressed? It will be difficult to bring the citizens of Europe along with the views of senior politicians on these matters. There should be a public debate on these questions.
- If this were the last Treaty on this question, I would vote No, but it is not. There will be other treaties to follow the Fiscal Compact, all ultimately leading to a fiscal union.
- Although the Fiscal Compact will not solve our problems, access to the ESM is conditional upon accepting it. We have a small, open economy and must have access to the ESM. That is the sole reason why I will be voting Yes, even allowing for doubts about its legality.

Phil Prendergast, MEP for Ireland South

- Ratification of the Fiscal Compact will hasten economic recovery by boosting the confidence of markets, investors and consumers. There is pent-up demand in our economy. By adding certainty to our economic future, the Fiscal Compact will help unlock some of that demand.
- There are already signs of recovery in the Irish economy. More people are at work and in training programmes. There have been rises in consumer and purchaser confidence indices. However, Ireland and Europe still need a confidence boost, which ratification of the Fiscal Compact can provide.
- The Fiscal Compact is not a cure for all ills, and has some disappointing elements. One such element is that it does not address the chronic trade imbalances in the European economy. These originate in the monetary union, which has favoured the large core economies at the expense of the smaller peripheral ones. The solution involves two steps. The first is to suppress demand in the peripheral economies; this is already happening. The second requires stimulating demand in the core economies by increasing wages and tolerating higher inflation. However, even though this would be in the interests of the European Union, it is not being done because it does not suit the core countries.
- Another disappointing element of the Fiscal Compact is that it was negotiated, and is designed to operate, on an intergovernmental basis. Bypassing the European Parliament in this way is counter the community method and the principles of the European Union. Nevertheless, Ireland can use its influence to contribute to growth and job policies.
- Despite its flaws, the Fiscal Compact - together with other measures including the ECB's support for bank liquidity and the ESM - will help stability.
- Stability is essential for recovery in Europe. Uncertainty causes lenders to seek higher

bond yields, causes consumers to spend less, and investors to hesitate.

William Cash MP, Chairman of the European Scrutiny Committee of the House of Commons

- The UK Parliament's European Scrutiny Committee has produced a report on the Fiscal Compact. This endorsed the view that the UK's Prime Minster decision to sign the Fiscal Compact amounted to a veto, as the Fiscal Compact is incompatible with the EU Treaties, and those Treaties would therefore have had to be amended if the Fiscal Compact was to be operated by EU institutions under EU procedures. Similarly, the involvement of institutions such as the European Commission and the European Court of Justice under the Fiscal Compact was of doubtful legality.
- The new arrangements are questionable and possible illegal under EU law. The UK Government should have made it clear that its rejection of the Fiscal Compact was not simply in the interests of the Single Market and the UK's financial services industry. It should have made it clear that the proposals were unlawful and contrary to EU principles.
- Under EU Treaties, the European Commission is responsible for ensuring that EU laws are respected. For example, if a member state fails to abide by EU rules, the Commission has powers to ensure that it does so, including taking them to European Court of Justice. However, as the Committee found, the EU itself is in breach of the rule of law by implementing an intergovernmental Treaty of just 25 of the 27 Member States.
- This disregard for the law is increasingly evident in the way the EU conducts its affairs. For example, the rules concerning the European Financial Stability Mechanism (EFSM) require that a Member State first request assistance before the ECB and others may examine its financial situation. However, it appears to some in the UK that these bodies did not wait for Ireland to request assistance before going through its books. Ms. Lagarde, now Chairwoman of the IMF, has stated that the rules were broken in the interest of saving the euro.
- Similarly, both France and Germany breached the Stability and Growth Pact in 2003. Further, the EU Treaties have a strict “no-bailout” provision, so why do we now have bailouts? The European Scrutiny Committee's report also points out that there are serious doubts and concerns about the amendment of Article 136 of the Treaty on the Functioning of the EU to facilitate the adoption of the European Stability Mechanism (ESM) Treaty, as well as similar concerns about illegality as those raised in relation to the Fiscal Compact.
- The European Scrutiny Committee's report also examines the unemployment and economic situation in the EU. It observes that the euro could cost up to €2 trillion to save.
- A final concern raised in the report is the question of legal advice provided to the European Council. This advice seems to presume that the UK will join in the Fiscal Compact and ESM.
- The Fiscal Compact and ESM treaties should be renegotiated. They raise important questions on spending and funding, and on democracy and sovereignty. The European establishment does not seem to be sufficiently concerned with democratic questions. While some believe that Europe requires further and deeper integration, that is a matter for debate and decision within each Member State.
- The root causes of the present crisis are over-regulation, not enough oxygen for small and medium sized businesses, and insufficient growth. The EU is not working for the UK and does not appear to be working for anyone else. It is failing because, since the Maastricht

Treaty in 1993, it has attempted to take on the form of a government without a democratic mandate. This democratic deficit has undermined the EU's legitimacy and effectiveness, and we are facing disorder. The Fiscal Compact is another failing Treaty and sets a dangerous precedent because it is ignores the rule of law in the interests of achieving an economic and political goal. It will not solve the problems it addresses because it is illegal and is attempting to fix the euro, which cannot be fixed without renegotiating the entire basis of the EU.

- Similarly, the Article 136 amendment for the ESM Treaty appears to be a contrivance. Article 273 of the TFEU (dealing with the jurisdiction of the European Court of Justice) also has been stretched beyond breaking point.

Sharon Bowles, MEP for South-East England and Chair of the Economic and Monetary Affairs Committee of the European Parliament

- The main purpose of the Fiscal Compact is to provide cover for the European Central Bank (ECB) to engage in long-term refinancing operations. After multiple unconvincing attempts by the European Council to resolve this crisis, the ECB has become the only EU Institution with international credibility in this area. It is vital to maintain that credibility. It was initially hoped to provide this cover by means of a change to the EU Treaties but that was not possible without unanimity.
- While the intention was to make the Fiscal Compact appear substantial, the view of the European Parliament is that there is very little in it that was not already in the Six-Pack. One important difference is the automaticity of correction measures and the qualified majority voting arrangements. These could not be made to work under existing EU Treaty rules, so a new intergovernmental Treaty was required. Similarly, the provisions giving the European Court the power to fine states that are in breach of the rules - a German initiative - required a new Treaty. Most of the rest of the Fiscal Compact reflects provisions in the Six-Pack and are likely to be subsumed into the latest item of EU fiscal legislation, the Two-Pack.
- Making ESM access conditional upon ratifying the Fiscal Compact simply reflects the de facto political realities. It looks a little like blackmail but it reflects the fact that States which do not follow the rules are unlikely to achieve the support they would need to be given assistance. It would have been preferable if this had been left implicit rather than stating it explicitly.
- The Fiscal Compact is not intended to force Europe towards federalisation, though it undoubtedly moves Europe in that direction. It simply reflects the determination of the larger States to find a long-term solution to the crisis, whatever it takes. However, provisions like the "blackmail clause" reflect a lack of trust.
- Ireland's position would undoubtedly be improved by an adjustment to its outrageous interest rates. However, public opinion in Member States is not well informed and the German public in particular receives a simplistic account of events. As a result, solutions are assembled in unconvincing incremental stages rather than as a single, large and credible action. There is a gap between citizens and their Ministers. What is announced at press conferences for consumption at home is often quite different from what is discussed in meetings. This is unhelpful to negotiations.
- There is limited scope for Keynesian-style investment, regardless of the outcome of the French presidential election. The EU cannot act independently of the IMF, on which it relies for funding its sovereign debt firewall. The IMF tends to want Europe to follow the

austerity path.

- The legality of the role of the European Court under the Fiscal Compact is something that the Court will have to decide for itself. However, given that most of the provisions in the Fiscal Compact are also in the Six-Pack and Two-Pack, it may avoid having to decide the question.
- If Ireland does not ratify the Fiscal Compact, it is hard to say what the attitude in Europe will be if Ireland needs a second bailout. However, it is important to bear in mind that Ireland is far better placed to recover, and its economy is in a much better condition, than some other countries. If Ireland is doing so badly that it needs assistance, other countries will be far worse. That would indicate that the solutions have not worked and a deep rethink is needed. Apart from the ESM, the existing funding mechanism may be able to give Ireland a top-up, but Ireland would need to have goodwill in the European Council.
- It is conceivable that eurobonds could be created without amending Article 130 of the Treaty on the Functioning of the EU [which deals with the independence of the ECB]. However, it is always better to do things in a straightforward way.
- It would not be advisable for Ireland to block the ESM Treaty by vetoing an amendment of Article 136 [which governs Council decisions relating to budgetary surveillance in the Eurozone]. It is not certain that such an amendment is in fact required. Exercising a veto could put Ireland in a position similar to the UK's, and sympathy is in short supply.
- Balancing budgets is a problem for everyone, but markets must have confidence that Ireland is serious about repaying its debts. Investors in the USA and Asia are nervous about putting money into Europe. To do anything to amplify that nervousness would be a great mistake.
- Banks are not lending because these are uncertain times. Revisions to the Capital Requirements Directive are being framed and banks still don't know how to plan for the future because the rules are not settled. Further, the capital market funds on which banks have relied are no longer readily available. This will take time to resolve.
- Revision of the Capital Requirements Directive is helping to bring the growth agenda to the fore. Insurance companies and pension funds realise that stimulating economic activity is urgently required for them to continue to function.
- A transfer union is inevitable. Without it we shall not resolve the problems of young people being unable to find jobs or buy homes. The European Parliament is examining options including eurobonds, stability bonds and redemption bonds. The measures proposed may not always be substantial but failure to address this issue is the worse option.
- Ireland got a bad deal on its bank debt, and this should be discussed. There are some concerns that a deal would set a dangerous precedent, but Ireland is bailing out bad investments made in Germany and elsewhere. The lack of sustainability is hitting the entire Eurozone.
- The euro has the potential to become a major world reserve currency with deep and liquid bond markets. If progress can be made on that, the time may come for the UK to join those markets.

Lord Lyndon Harrison, Chair of the House of Lords Sub-Committee on Economic and Financial Affairs and International Trade

- The sub-committee that I chair produced a report in February 2012 on the Euro Area Crisis which forms the basis of these statements.

- Even though the UK is not a member of the Eurozone, it has an important interest in it because what happens there affects the UK, its financial success and well-being.
- The main conclusions of the report are that, while the Fiscal Compact does not add much to the existing obligations of Member States under EU legislation already agreed, the net effect of those agreements is a major innovation in the EU's fiscal policy. Because the Fiscal Policy provides for a review in 5 years to bring these measures into the European Treaties, it is very important to consider them.
- A second conclusion is that, while Eurozone states must take steps to strengthen the euro, the Single Market remains the preserve of all 27 Member States of the EU. This is an issue of great importance to the UK. Nevertheless, bringing the Fiscal Compact within the EU architecture would benefit all 27 Member States including the UK.
- The crisis poses enormous challenges, and effective and active leadership is required.
- A final conclusion is that greater focus on promoting sustainable growth is essential in the long term. It is particularly important to find a path to growth for indebted Member States.
- The Czech Republic has indicated that it may join the Fiscal Compact in the future. The House of Lords has stated strongly that it can see no good reason for the UK not to. It is not clear why the UK Government decided to opt out of the Fiscal Compact. While there is reluctance in the Conservative Party to get involved in matters affecting the euro, the importance of the euro to the UK is acknowledged by the UK Government, as illustrated by our recent assistance to Ireland. The reason may be related to the proposed Financial Transaction Tax, to the UK's financial services industry, or the European Banking Authority. However, the Government has not made its reasons clear.
- The report examines questions about the legality of aspect of the Fiscal Compact, including Article 8, which raises issues about whether the European Court may decide whether measures have been given effect at a sufficiently binding or constitutional level. There is also a question about the jurisdiction of the European Court in relation to the Fiscal Compact. However, these are legal niceties. Politicians must deal with the real world. The need for solutions means that we sometimes take a politically enlightened view of legislation.
- The conditionality of ESM access is a political response to the failure of some States - notably France and Germany - to stick to the rules of the original Stability and Growth Pact. This provision is intended to ensure that the rules will be followed.
- Rather than seeing the Fiscal Compact as a move towards European federalism, it is better to understand it as a remedying of a design flaw in the euro, namely the lack of a fiscal union to back up the monetary union. That flaw was identified at the very beginning of the euro and it was inevitable that a solution would have to be found.
- The UK's attitude to an amendment of Article 136 to make way for the ESM Treaty is that it would require an amendment of our European Union Act. However, it is not clear if or when that will be done.
- It is vital to communicate to the citizens of the EU that strengthening the Single Market will work to everyone's advantage. Stimulus measures and the Single Market could do much to build growth and provide jobs.
- The UK should be prepared to bargain some elements of its sovereignty to strengthen the Single Market, from which it benefits greatly. It is better for all to compromise and benefit than for a single one to remain outside without the benefits.

Jonas Sjöstedt MP, Swedish Left Party

- Sweden has been able to protect its economy in the present crisis by using the interest and exchange rate controls available it because it is not a member of the euro. In the 1990s Sweden went through a deep economic crisis, but we came through it, in part because we were tough on the banks. We did not pay their debts, we nationalised the weak ones and sold them off at a profit. The banks learned a lesson from that. We also have political consensus that favours stable public finances.
- In relation to the Eurozone crisis, it is important to identify the real cause in order to find the correct solution. The main causes of the crisis vary from one country to another, but risk taking and losses in the banking sector are clearly a major cause. A second one, particularly in southern Europe, is the loss of competitiveness. Both of these can be connected to the euro because of the low interest rates that boosted lending and risk-taking, and that encouraged countries to import much more than they export.
- Europe is on the brink of a very serious recession. Austerity will make it worse. There is need for investment, so might be a mistake to have rigid systems for national budgets. In Sweden in the 1990s we responded to the crisis by investing. We ran deficits that were far larger than could be allowed under this Treaty, which is dominated by rigid thinking.
- The present policy behind the euro is to save it as a currency and to save the financial and banking systems. The price is paid by Member States who suffer under cuts and privatisations. The priorities of the ECB are clear from the fact that it is pouring money into banks at 1% but not countries. If the situation were reversed it would make a great difference.
- A cure for the crisis requires a review of bank regulation to make it impossible for banks to repeat their mistakes. Not doing so creates a moral hazard. Debt write-downs, at least in Greece and Portugal, are also required. The public is being forced to pay for private mistakes.
- The Treaty faces an uncertain future. Mr. Hollande in France has called for renegotiation, and the Dutch have postponed ratification pending an election. Sweden has agreed to sign it even though it is not a euro country. The reason seems to be the right-wing government's sense of loyalty to the EU.
- If the Treaty goes through and is enforceable against Member States, it will have three main consequences. First, it will deepen the recession, shrinking economies and increasing countries' debt-to-GDP ratios. Second, it will prevent states from taking measures appropriate to their own countries' respective conditions. It will give national economic policies too little room to manoeuvre. Third, it will transfer massive powers to the European Commission and the European Court of Justice. This has implications for democracy. It will make it much more difficult for people to choose a different direction for themselves in future.
- The final argument against this Treaty is that it will not work. Many member states will not implement it and it will probably break down quite soon. It, or any other pact that does not address the causes of the crisis, will not function.

Module 2: The Reaction of Irish Society to the Treaty

Date	Witnesses
5 April 2012	John Bryan, President of the Irish Farmers Association (IFA) Brendan Bruen, Director of Financial Services Ireland (FSI) Brendan Butler, Director of Irish Business and Employers Confederation (IBEC) Mark Fielding, Chief Executive of Irish Small and Medium Enterprises Association (ISME) Patricia Callan, Director of Small Firms Association (SFA) Noelle O'Connell, Executive Director of European Movement Ireland (EMI) Brendan Halligan, Chairman of the Institute of International and European Affairs (IIEA) Bríd O'Brien, Head of Policy and Media at the Irish National Organisation of the Unemployed (INOU) Roderic O'Gorman, Green Party Declan Ganley, Libertas Institute Cllr. Andrew Muir, Alliance Party
17 April 2012	Joe Higgins TD, United Left Alliance Micheál Martin TD, Leader of Fianna Fáil Eamon Gilmore TD, Leader of the Labour Party Catherine Murphy TD, Technical Group Whip
19 April 2012	Margaret Ritchie MP, SDLP
25 April 2012	Gerry Adams TD, Leader of Sinn Féin
26 April 2012	Enda Kenny TD, Leader of Fine Gael
27 April 2012	Jack O'Connor, General President of SIPTU

John Bryan, President of the Irish Farmers Association (IFA)

- A stable euro improves Irish to EU and other European markets, particularly those for agricultural and food exports. It also helps to attract inward investment. Farming provides more than 300,000 jobs in Ireland. In 2011 food and drink exports grew by 11% to €9bn.
- Ireland's agrifood sector is closely linked to EU policy through the Common Agricultural Policy (CAP). This gives us access to an export market of more than 500 million consumers, as well as supporting farmers through direct payments and rural development measures. The CAP is vital for Irish farmers, and Ireland must be in a position to contribute to and help direct decisions made about it when it is reviewed in the next 12 to 18 months. For that reason, Ireland needs a central place in Europe. Withdrawal from that central place will have negative consequences in the short term and possibly lead to Ireland's isolation in the long term.
- The Fiscal Compact gives binding effect to targets for budget deficits and government debt. In any case, Ireland needs those targets to restore our public finances to a sustainable position. Ratifying the Fiscal Compact will allow access to the ESM if necessary. Failure to ratify will make it more difficult to get funding, whether Ireland needs another bail-out or not.
- The Fiscal Compact is one building block of a comprehensive solution for the euro crisis. That solution must also include growth, to which a strong and fully funded CAP will make a major contribution.
- Membership of a stable euro currency is vital to achieving Food Harvest 2020 targets. For that reason, the IFA recommends a Yes vote as being in the interest of the IFA, of the nation, and as a vote of confidence in Ireland and the EU.

Brendan Bruen, Director of Financial Services Ireland (FSI)

- FSI endorse the Fiscal Compact and will campaign for a Yes vote. It will bring clarity and certainty on Ireland's position in Europe and promote stability. It will help to create a stable base for recovery and employment.
- Between 1999 and 2011, international financial service jobs grew from 8,500 to 33,000. The greatest factor in the growth of Ireland's international financial services industry has been the European Single Market, which allows firms in Ireland to trade throughout the EU. Being a full EU member is also critical for ensuring that Irish firms have access to financial markets outside the EU, such as the USA, Brazil, Russia, China and India.
- The Fiscal Compact will not expose Ireland to a financial transaction tax or put the IFSC at a disadvantage. Instead, it will clarify Ireland's position in relation to Europe, something which the UK has not done.
- The Fiscal Compact will assist Ireland in returning to the international markets towards the end of 2013. Investors will have greater confidence in Irish Government bonds if they know Ireland is secure in its long-term position in the EU, and in its public finances. A No vote would leave Ireland with an uncertain long-term future, which will deter investors.

Brendan Butler, Director of Irish Business and Employers Confederation (IBEC)

- The referendum on the Fiscal Compact is an opportunity to inform the world that Ireland

is open for business. Irish business has responded to the present crisis by demonstrating flexibility. As a result, exports, customer bases and market shares have grown faster than in our European competitors.

- The Fiscal Compact is an important step on the road to recovery for Ireland and Europe.
- The Eurozone accounts for 38% of Ireland's exports, and the EU as a whole for 60%, equivalent to €100bn. Irish businesses are strongly committed to Europe and see it as central to future prosperity. Ireland should become a role model for other member states in a strong Europe.
- The Fiscal Compact, together with the other measures being introduced to address the crisis, make up a platform for growth that will help us avoid austerity in the future. The Fiscal Compact will give assurance that the mistakes in public finance that led to the present crisis, as well as earlier ones, will not be repeated.
- The referendum campaign should communicate clear and accurate information about the Fiscal Compact. For example, it should be made clear that there is no mention of Ireland's tax rates in the Fiscal Compact or any of the other agreements to resolve the crisis. The Fiscal Compact will not itself create jobs: it is concerned with stability, certainty and responsibility. However, those factors are essential if jobs are to be created.
- A No vote will not cause Ireland to be thrown out of the euro. However, the referendum is an opportunity for Ireland to show leadership, and to demonstrate how, in difficult times, Ireland has been able to make changes and come through. A Yes vote will allows us to help and give support to other small states and so prevent the large states dominating.
- The Fiscal Compact is just one essential step on a long and difficult journey to recovery. It is concerned with basic housekeeping.

Mark Fielding, Chief Executive of Irish Small and Medium Enterprises Association (ISME)

- If the Fiscal Compact had been in effect ten years ago, it would have helped to prevent the failings by politicians, bankers and regulators that contributed to the present crisis and the suffering that it has caused and will cause for years to come. The crisis was also caused by a failing in the design of the euro, particularly the failure to create fiscal structures that would have protected the Eurozone and allowed it to work properly. Irresponsible behaviour in the ECB, in French and German banks, and here at home, has led to bank debts being shouldered by Irish taxpayers under the terms of our bail-out. That is unfair and unjust.
- This situation arose because of the lack of fiscal structure. The Fiscal Compact will require balanced budgets and sustainable levels of public debt. Reaching its target levels will be difficult and take up to five years of austerity budgets, but we must take these steps. The alternative is an immediate cut-off of funds, which could lead to social breakdown. The Fiscal Compact is about getting our house in order.
- The Fiscal Compact on its own is not enough to solve the euro crisis. Other measures are required, including expanding the mandate of the ECB, creating a uniform system of financial regulation including a pan-European resolution regime, and a fiscal union across Europe that involves fiscal transfers between member states.
- It would be easy to oppose the Fiscal Compact in the referendum and treat it as a vote of disapproval of those who led Ireland into this crisis. It is therefore essential that the Yes campaign make it very clear what the terms of the Fiscal Compact mean, and why it is imperative for people to vote Yes.

Patricia Callan, Director of Small Firms Association (SFA)

- The SFA will be supporting and campaigning for a Yes vote. It will do so for three main reasons:
    - o Access to the ESM will be essential for market confidence so that we can exit our bail-out programme and return to the financial markets. Restoring economic sovereignty will be essential to prosperity and development.
    - o Ireland must be at the heart of Europe. We must not be left behind in a two-tier Eurozone.
    - o Membership of the euro, and access to Eurozone markets, is critical to our economic well-being. It has allowed us to increase our trade with Eurozone member states by 43% in the last ten years.
- The euro has removed exchange rate risk, reduced transaction costs, and helped protect Ireland from currency crisis. Although the measures we are now taking are resulting in suffering, recovery of the domestic economy needs strong performance by Ireland's exporters.
- Commenting on the Fiscal Compact, small firms around the country highlighted reasons for supporting it, including the need for a strong currency in our export markets, supporting an environment for inward investment, giving us the benefit of a strong Europe that can compete with world powers, and adding to the strength and reliability of the euro as a currency with which to trade outside the EU. The Eurozone is a huge market with 500 million people. Even in a recession, Irish business can gain market share by being better and more competitive. By working on that over the last five years, we have increased our exports and decreased the cost of doing business with us.
- There is a move towards joint ventures with outside investors rather than the traditional export-oriented model. However, the current turmoil in the Eurozone is inhibiting investment. People may have cash or plans, but they do not want to take risks when there is uncertainty all around. The progress of the referendum is being watched even in China.
- Small businesses see a Yes vote as critical to their success.

Noelle O'Connell, Executive Director of European Movement Ireland (EMI)

- The goal of the Fiscal Compact is to place in Irish law rules that already exist at the European level. Those rules are similar to ones proposed by the Oireachtas Committee on Finance and the Public Service in November 2010, to proposals in the larger parties' 2011 election manifestos, and to the contents of the recent Fiscal Responsibility Bill. In fact, because Ireland is currently in a bailout programme, we will have fewer changes to introduce than other countries.
- The Fiscal Compact was proposed because of the limited effectiveness of the Stability and Growth Pact (SGP). While small countries like Ireland kept to the rues of that pact, large ones including France and Germany did not. The Fiscal Compact will prevent that sort of inequality by requiring all states to follow the same rules.
- Two key differences from the SGP are the structural deficit rule and the debt brake rule.
- Measuring a structural deficit is intended to give a clearer picture of a country's fiscal position. It involves adjusting for the country's position in the economic cycle, and excluding temporary or one-off measures. The purpose of the rule is to force countries to

avoid deficits that destabilise their economies. Estimating a structural deficit is not straightforward, but if this rule is applied properly, it will allow a country to run a counter-cyclical deficit during a recession in order to stimulate its economy.

- The debt brake rule applies when a country's debt-to-GDP ratio exceeds 60%. When that is the case, the country must take steps to correct the ratio. It is important to note that, if the country grows its economy, it may be able to reduce the ratio while maintaining, or even increasing, the amount of its borrowings.
- The measures a country takes to reduce borrowings under the debt brake rule must be aimed at reducing the ratio each year by 1/20 of the amount by which it exceeds 60%. The correction must, on average, be performed over three years.
- Ireland is currently in a bailout programme until 2015, to be followed by a three-year transition period. As a result, the debt brake rule won't apply to us until 2018. By that time, Ireland's debt-to-GDP ratio should be declining, and growth and inflation should ensure it continues to reduce without the need for additional fiscal measures.
- The combined effect of these rules should help Ireland to improve the conduct of its fiscal policies. It is significant that non-euro countries such as Sweden have signed up the Fiscal Compact.
- It has been suggested that the Fiscal Compact is an "austerity Treaty" and that it will prevent Ireland running counter-cyclical Keynesian policies. However, prudently applying the rules in the Fiscal Compact could help to avoid future austerity and make it more likely that Governments will be able to cut taxes and increase spending during future recessions. It would not be in the interests of individual countries, EU institutions, or of the Eurozone to apply the rules imprudently.
- While monitoring of the fiscal rules will take place at EU level, the first level of supervision is at home in Ireland. Domestic enforcement of EU rules is an example of the EU principle of subsidiarity. This can strengthen the role of the Oireachtas in ensuring the accountability of the Government.
- Another benefit of the Fiscal Compact is that it is like a smoking ban: it will help to protect us from the harmful behaviour of others.
- The Fiscal Compact will take effect when 12 of the 17 euro member states ratify it. Ireland does not have a veto. Failing to ratify it would not exclude Ireland from the euro, but it would greatly diminish our influence, and it may cause potential investors to question Ireland's commitment to the euro.
- Access to the ESM will be conditional on ratifying the Fiscal Compact. It is not clear whether Ireland will need a second bailout. However, our chances of needing one will increase if we do not have access to the ESM, while having the ability to call on the ESM will reduce the likelihood of needing to do so. This is because, as and when Ireland seeks to borrow from private investors, having the ESM as an insurance policy will increase their confidence in lending to us. It must also be borne in mind that other countries may be willing to lend to us, but only if we adopt the same fiscal rules that they operate.
- The Fiscal Compact is a step towards rebuilding Ireland's economy and the economic and financial systems of the Eurozone. Evolution of EU policy towards a growth and jobs strategy depends on confidence in Europe maintaining stable and responsible policies.
- The Fiscal Compact does not solve all ills, but it is a step towards protection from future turmoil of the sort we have seen in the current crisis.
- The referendum gives us an opportunity to engage in the debate and participate in decisions on our future direction and our relationship with Europe. The referendum debate must give citizens the information to make an informed and considered decision on 31 May.

Brendan Halligan, Chairman of the Institute of International and European Affairs (IIEA)

- Economic co-operation between the countries of Europe is the cement that binds them together politically. The Common Market developed into the Single Market, which expanded in the European Monetary Union. The Stability and Growth Pact (SGP) was intended to protect the euro but its rules were unenforceable, and so were broken and ignored.
- The defects in the SGP became apparent when the present crisis began in 2007. The European response was a series of ad hoc and temporary solutions, but these have evolved into a permanent solution - the European Stability Mechanism (ESM) - which is the European equivalent of the IMF. In addition, governments have agreed a set of rules for conduct of public finances, of which the Fiscal Compact forms a part. These two elements are different sides of the one coin. The relationship between them is critical.
- The ESM will have approximately €1 trillion in capital available to it to use as a firewall against contagion. The sovereign debt crisis is well on the way to being solved.
- The stability of the euro depends on sound, sustainable finances at the national level. If Member States comply with the rules, the euro will be stable. This will increase the confidence of consumers and investors, and the growth of incomes and employment. Restoring confidence is essential.
- In the longer term, the euro will - together with the US dollar and the Chinese Yuan - become one of the three major world currencies. This will give the EU strength to protect its interests in international trade and finance.
- The Fiscal Compact has short-term and long-term implications for Ireland. In the short term, Ireland needs to borrow to stay afloat. In March 2013 the ESM is going to replace the European and IMF funds that we currently rely on. Access to the ESM will be contingent on ratifying the Fiscal Compact and adding the rules in it to our national laws.
- If - as is our right - we reject the Fiscal Compact, we will exclude ourselves from the ESM. Ireland will have to find finance for public expenditure elsewhere. The IMF has limited capacity to lend, but it places very strict conditions on its loans. We also know that the financial markets would see a rejection of the Fiscal Compact as increasing Ireland's risk profile. If we reject the Fiscal Compact, public expenditure will have to be cut drastically and more quickly than under our current bailout programme. It would also have a huge effect on market confidence. It has been argued that other Member States would not allow that to happen, but it would be a very risky strategy. When the UK opted out of the Fiscal Compact, discussion of the matter took approximately 10 minutes and the meeting then moved on. We should bear that in mind.
- In the longer term, if Ireland approves the Fiscal Compact, its rules will have to be written in to Irish law. Those laws would prevent governments spending irresponsibly, as happened in 1998, leading to a decade of recession. They would also prevent a government adopting the budget strategies we saw in the years before 2007.
- The protection of our common currency is the larger picture for Europe. Here in Ireland, the immediate issue is our ability to borrow when we need it.
- The UK and the Czech Republic did not sign up the Fiscal Compact. This raises questions about the UK being a core member of the EU. Is that what we would want for Ireland? It is foreseeable that the EU will develop into three rings: a core of Member States who use the euro as their common currency, a second ring comprising Sweden, Denmark and possibly the Czech Republic, and a third outer ring comprising countries that can't or don't want to be full members of the EU. It is most likely that the UK will be in the third

ring. We should consider the economic and political consequences of that for Ireland.

Bríd O’Brien, Head of Policy and Media at the Irish National Organisation of the Unemployed (INOU)

- Ireland is facing an unprecedented unemployment crisis. The deterioration in our public finances adds to the scale of that problem. This is compounded by the nationalisation of bank debt, which threatens the nation's viability and undermines our ability to address the unemployment crisis.
- We should be considering how to strengthen economic and social rights in our Constitution but instead are proposing an amendment that will copper-fasten austerity. Austerity policies are exacerbating socio-economic exclusion, as illustrated by the increase in income inequality recently reported by the Central Statistics Office.
- It is questionable whether the Fiscal Compact would have helped to prevent Ireland's economic collapse. Ireland was meeting the requirements of the Stability and Growth Pact and our public finances appeared to be strong at the start of the crisis. The extent and depth of the current crisis arise from the neo-liberal economic model, which produced an overheated economy and an overexposed banking sector. The Fiscal Compact does nothing to address these issues.
- In 2010 the European Commission published the Euro 2020 strategy. This made smart, sustainable and inclusive growth priorities for the EU. Although the Fiscal Compact pays lip service to these priorities, it gives legal and constitutional priority to fiscal policy. How will smart growth happen without investment in ICT infrastructure? Similarly, inclusive and equitable development, as well as social policy, imperative not just for Ireland but for Europe.
- The targets in Europe 2020 are meant to be achieved through Member States' National Reform Programmes. It is difficult to see how these can be achieved while austerity policies are being enforced.
- It has been argued that Ireland's bailout programme imposes terms that are no stricter than the Fiscal Compact's, so it will have little real impact. It is also argued that financial markets will demand an equivalent level of budgetary discipline. However, it is important to note that austerity has never solved a crisis on the scale of Ireland's. Sluggish growth in Europe is inhibiting recovery in the US economy. This will further challenge Ireland's open, export-led economy.
- It is critical to maintain supports for unemployed people and to provide the education and training that will secure them decent jobs and fill Ireland's skills gap. Without proper investment it will be hard to generate sufficient economic activity to provide jobs for the unemployed and for school leavers.
- Article 3 of the Fiscal Compact focuses on structural deficits, which are very difficult to define and measure. However, the Fiscal Compact ignores structural unemployment, which can have very harmful effects on Irish society. It is not in Ireland's or Europe's interests to prioritise fiscal considerations ahead of ones that support social cohesion and support smart, sustainable and inclusive growth. Society and the economy are two sides of the one coin.
- Financial stability is essential for long-term growth, but it requires equity and must support economic and social rights. Ireland should address its problems by developing an equitable, broader and sustainable tax base. Maintaining supports and social services is vital. Therefore, fiscal, economic and social policy must be given equal priority. If not,

socio-economic exclusion will persist and worsen under the current austerity. It is naive to think that prioritising fiscal concerns will solve this crisis because it will not. There have been a number of attempts to solve the crisis in the euro and in each case the international markets have given a negative verdict. That was because the attempted solutions addressed the wrong issues. The Fiscal Compact risks doing the same.

Roderic O'Gorman, Green Party

- These are personal views and not necessarily those of the Green Party.
- The Fiscal Compact is not, on its own, the solution to the economic crisis in the Eurozone countries. A European recovery response is also needed. This must include eurobonds and improved financial regulation to boost employment, and strategic investment across Europe. These are not in the Fiscal Compact.
- As the present crisis shows, damaging budgetary policies in one Eurozone country have the potential to harm others. The Fiscal Compact addresses this by setting out rules that are applicable to all Members States and limiting their ability to take damaging budgetary actions. It is helpful to recall that the European Commission reprimanded Ireland for its budget in 2000. That reprimand arose from tax cuts that were given in the budget, not from increased social spending. The monitoring process under the Fiscal Compact should be focused on issues such as tax breaks in order to ensure a fairer distribution of wealth.
- While the Fiscal Compact will increase the potential for eurobonds, it is mainly concerned with fiscal policies already in the Six Pack. The main innovation is the balanced budget rule, which is of far less importance than eurobonds and remedying the democratic deficit in the EU, which should be given much higher priority. Giving constitutional protection to the balanced budget rule is simply an exercise to reassure the German electorate that fiscal discipline will be maintained when eurobonds are introduced.
- It is important to ensure that the limitations imposed by the Fiscal Compact are sufficiently flexible to allow countries to respond to future crises and downturns. The terms of the Fiscal Compact and revised Stability and Growth Pact refer to medium-term objectives, and allow exceptions for unusual events, public investments and exceptional circumstances. These seem to allow some room for deviation from the rules and to permit enhanced investment. Flexibility in applying the rules in the Fiscal Compact will be particularly important for peripheral countries like Ireland. The Government will have to ensure that the European Commission appreciates when Ireland requires extra borrowing or deficits to cope with downturns. It is not in the interests of other Member States to impose unmanageable burdens.
- The Constitutional amendment being voted on is designed to allow the Fiscal Compact to be ratified and immunises laws adopted and actions taken pursuant to it from Constitutional challenge. This approach seems sufficient to meet the requirement in Article 3.2 of the Fiscal Compact. Some countries have written balanced budget rules in to their constitutions. However, balanced budget rules are blunt tools, and for Ireland to write it in in that way may deprive Governments of the flexibility we will need.
- Article 16 proposes that the Fiscal Compact be implemented through the EU Treaties by means of amendments to them within the next 5 years. Will that require us in Ireland to hold a further referendum?
- The correction mechanisms in the Fiscal Compact are not well defined and should be clarified for the people voting on them.

- It is not certain that 5 years will be long enough to negotiate and agree a fiscal stability amendment to the EU Treaties, particularly as the UK vetoed adoption of the Fiscal Compact as an EU measure. Ireland and the UK recently signed a ten-year agreement of co-operation, which includes an agreement to co-operate on EU policy. Given the Euro-sceptic attitude of the current UK Government, how will that affect our negotiations on a fiscal stability amendment to the EU Treaties?

Declan Ganley, Libertas Institute

- The Fiscal Compact is, in effect, a firming up of the Stability and Growth Pac (SGP) in the Maastricht Treaty.
- At best, however, it is a placebo for Europe's problems - it will do nothing to cure the disease. It is designed to placate German public opinion and is giving false hope. It is all stick and no carrot.
- If the Fiscal Compact had been in place in 2008 or 2010 it would not have prevented the bailouts. The cause of the crisis was not public debt; it was the nationalisation of bad bank debt. We have failed to communicate to the German people that we in Ireland are bailing out their banks. That obligation is immoral and the debt should be federalised. The Taoiseach and Minister for Finance are not being taken seriously in Europe when they raise the issue of Irish bank debt, but that problem needs to be solved urgently. The Fiscal Compact does not address that problem and will not solve it. The presumption in Europe that Ireland will meekly accept the Fiscal Compact is arrogant and contemptuous.
- I am a European Federalist and want to see a United States of Europe, with an elected president, combined roles for the European Council and Commission, and a common foreign and security policy. Federalism protects smaller states, as is shown by Germany or the USA, where small states have equal representation in the Senate. There is wide support for this position. However, there is no leadership looking for a real solution and a better way forward. This has resulted in us being asked to vote on a Treaty that will do nothing to solve our problem, and will in fact only compound them by delaying a solution.
- The solution that is required is to purge the bank insolvency that is undermining Europe. There is no good reason to keep funding insolvent banks from taxpayers' pockets. Nobody suggests that insolvent businesses in other sectors should not be allowed to fail. While dealing with bank insolvency will certainly be painful, it has to be done and the financial system will be better for it.
- Passing the Fiscal Compact may give the financial markets some confidence, but without a resolution of the bank insolvency issue, that boost will be temporary. Another financial problem will emerge after a few weeks and the success of the Fiscal Compact vote will be forgotten. Being pragmatic, I would vote Yes to the Fiscal Compact if we were to get a deal on the bank debt, if there is some real progress towards democratic reform.
- I want a Europe that is united, democratically accountable, and financially and fiscally healthy. The Fiscal Compact will not deliver any of these things.

Cllr. Andrew Muir, Alliance Party

- Membership of the EU has been of enormous benefit to Ireland, the UK, and particularly Northern Ireland. The Alliance Party is pro-European and internationalist and it supports

an enhanced role for the EU in promoting fiscal stability.

- International interdependence heightened the risk of contagion through the bond markets, but the most effective response to this reality lies in mutual interdependence. To prevent a repeat, we need action at both European and domestic levels.
- The Alliance Party urges the Irish electorate to consider a Yes vote in the referendum on the Fiscal Compact. Approving it will help to bring stability to the Eurozone, to the Irish economy, and to the all-Ireland economy. Trade figures show that the economies of Ireland and Northern Ireland are mutually interdependent. A Yes vote will give confidence to markets and hopefully help to increase cross-Border trade. A confident Eurozone will improve confidence in non-Eurozone countries and open new trade opportunities.
- Those who question whether a Yes vote will give markets confidence should instead ask whether market confidence would be increased by a No vote. We must demonstrate confidence to the markets.
- Building a shared society in Northern Ireland requires us to be more outward looking. We must examine how to grow our economies, make them work together, and tackle issues at the European level. Voting Yes will demonstrate that Ireland wants to be a partner in Europe and at the negotiating table.
- EU issues are outside the remit of the Northern Ireland Assembly and don't receive the attention and debate they deserve. The issue of the Fiscal Compact is of fundamental importance to Northern Ireland and the type of society we have there. We have become very dependent on public sector employment and must move away from that. That requires embracing different cultures and European attitudes. Northern Ireland is the only part of the UK with a land border with another EU Member State. Engagement with the EU is particularly important for society there. The decision by the UK's Prime Minister to exercise the veto and remove the UK from the Fiscal Compact was negative and was condemned by the Alliance Party.
- Our relationship with Europe can help to strengthen North-South relationships. It is in our mutual interests for our economies to grow together.

Joe Higgins TD, United Left Alliance

- The text of the Fiscal Compact states it is intended to promote sustainable growth, employment and social cohesion. In fact, it will irretrievably wound those objectives across the EU, with dreadful consequences for ordinary citizens.
- The Nobel Prize-winning economist Paul Krugman wrote in the Irish Times on 17 April 2012 that the Spanish crisis was not caused by a breach of the EU's Stability and Growth Pact rules, and that the solution to its problem was more public spending and investment, not fiscal tightening and austerity. But in the Fiscal Compact, Europe is insisting on inflexible austerity policies. This, he says, suggests Europe's leaders are determined to drive their economy and society off a cliff. Other economists and sociologists share this view of the Fiscal Compact, particularly the structural deficit target it imposes, as being likely to depress growth in Europe and to keep Ireland subject to austerity until 2018. Prof. Karl Whelan and Prof. Colm McCarthy heavily criticise the terms of the Fiscal Compact and advocate support for it in the referendum only because of the "blackmail clause", under which access to ESM funding will depend on approving the Fiscal Compact.
- The Department of Finance predicts that Ireland's structural deficit will be 3.7% in 2015. Mr Michael Taft, economist for the UNITE trade union, estimates that reducing this to the

0.5% required by the Fiscal Compact in a single year would require €5.7bn in cuts. Even if spread over several years it would severely depress the economy. Similarly, the debt brake rule will cause hardship. Assuming public debt represents 120% of GDP in 2015, the debt brake rule will require spending cuts of €4.5bn per year for a considerable period. While Ireland will have a transition period until 2018 in respect of the debt brake - during which it must be seen to be making progress on debt reduction - the ULA's reading of the applicable rules is that Ireland will be bound by the structural deficit provisions from 2015.

– The effect of the Fiscal Compact across the EU will also be severe. An IMF study shows that simultaneous fiscal consolidation on trading partners aggravates the depressing effect of austerity on economies. Eighteen of the twenty-five countries that signed the Fiscal Compact have structural deficits. Applying the rules in the Fiscal Compact would require cuts totalling €166bn in 2013. Even if these were spread over a number of years, they would have a devastating effect on EU citizens. The EU does not need austerity. It needs an alternative policy.
– The Fiscal Compact is dictated by and suited only to financial markets and unelected and unaccountable bankers, who hold a virtual dictatorship over the EU. The establishment parties are damaging this country by following the diktats of the financial markets. However, the people of this country have come to the end of their patience, as shown by the boycott by over 50% of households of the household tax. That tax and the proposed water taxes are unaffordable austerity taxes designed to rescue casino capitalism. People will fight them and vote No to the Fiscal Compact, and demand a change in policy.
– I agree with the view that the current crisis was caused by private banks that were not properly regulated, but that the Fiscal Compact is premised on the mistaken view that excessive government spending and borrowing were the cause. It is the wrong solution to the wrong problem. Capitalising banks will not solve the crisis as the banks have no interest in investing for the public good. They are using the money supplied to them by the ECB to speculate in sovereign bonds rather than putting it to productive use in a way that would relieve unemployment.
– Governments in Greece and Italy have been replaced at the diktat of the financial markets, and without protest by the parliaments of Europe. Financial markets hold economic power over the fates of millions of people and, for the sake of private profit, can plunge them into poverty. The ULA calls for a Europe that is free from the financial markets. Financial institutions and the financial system should be publicly owned and democratically controlled to direct investment to the needs of society. Rejecting the Fiscal Compact will be a statement of intent that will be welcomed by millions of ordinary Europeans.
– The Fiscal Compact will have a serious impact on democracy. Chancellor Merkel has said that the debt brakes will be binding forever and that it will never be possible to remove them. The Fiscal Compact will give the unelected European Commission power to decide where, how much and for how long cuts should be imposed. How can advocates of this Treaty justify this?
– The "blackmail clause", which makes access to ESM funds conditional on ratifying the Fiscal Compact, is intended to frighten people into accepting this Treaty. The ESM Treaty will require an amendment to the Treaty on the Functioning of the European Union before it can come into force. The Government should take advantage of the opportunity to block this in order to remove the "blackmail clause".
– The electorate is being presented with a false choice between austerity under the Fiscal Compact and austerity if they vote against it. There is another option. The ULA advocates

rejecting the debts generated by private speculators in the property market. Taxes on the super-wealthy 5 or 10% of our society can then be used for major public investment to create jobs and to regenerate our economy.

Micheál Martin TD, Leader of Fianna Fáil

- The European Union has enabled Europe to enjoy a relative prosperity and peace that would have been impossible otherwise. Membership of it has been significantly to Ireland's social and economic benefit, and plays a huge part in attracting foreign direct investment.
- However, since 2008 it has become apparent that the EU needs policies, powers and funding to tackle the recession. Applying the rules agreed before the crisis only made circumstances worse.
- The Six-Pack measure marked the emergence of a framework for fiscal stability and gave the ECB a context for action to mitigate the threatened meltdown.
- Fianna Faíl supports the Fiscal Compact not because it is the answer to Europe's problems, but because it is an essential part of the answer. Stronger and more transparent budget rules are required to Eurozone countries to have long-term access to debt markets at affordable rates. The scale of deficits in euro countries makes this need clear.
- Ireland's return to the bond markets depends on having transparent and robust budget rules, and on access to non-market funding. The Fiscal Compact will not affect budgets in the medium term, and may even make them easier.
- It is a mistake to characterise the Fiscal Compact as an "austerity Treaty". It will give Ireland access to funding for public services at a lower rate than would otherwise be possible. Ireland has a budget deficit this year of €15bn, which is funded at 3.5%. It would cost at least 6% to fund this on the bond markets. What further cuts to public services would be required to pay the difference?
- The Fiscal Compact will not prevent Keynesian economic measures. The key concept of the structural deficit by definition allows deficits when they are required. The Treaty provides that in any significant downturn of over 2% of GDP, a country may apply offsetting measures to stimulate the economy.
- Countries will continue have the economic independence to decide their own budget plans. Only where decisions are large enough to affect the euro are will they need to be flagged in advance. That is a reasonable requirement.
- Making access to the ESM conditional upon ratifying the Fiscal Compact reflects the fact that we must respect the terms on which other countries are prepared to lend to us. Decoupling the ESM from the Fiscal Compact would suggest that euro members are not serious about fiscal discipline.
- It is foolish to treat this referendum as one on membership of the euro. There is a positive case to be made for the euro, though it would be wrong to say that the Fiscal Compact alone will resolve the difficulties with it. This Treaty would not have prevented this crisis occurring. It must form part of a wider resolution of the euro's flaws. Other measures that must be addressed include reform of the ECB, a unified system of financial regulation, a pan-Eurozone bank resolution regime, and ultimately, a fiscal transfer union.
- Fianna Fáil has supported the holding of a referendum on the Fiscal Compact since it was signed. We will campaign constructively and give positive arguments about the Fiscal Compact as part of the answer to Europe's economic crisis. It is a fair and reasonable part of a broader response, and will have a positive impact for Ireland.

Eamon Gilmore TD, Tánaiste, Minister for Foreign Affairs and Trade, and Leader of the Labour Party

- The strain placed on the euro in 2011 threatened all of Europe, but in particular Ireland, which relies on exports for income and jobs, and on the euro as the currency we use for our salaries and savings.
- The measures agreed in response included a permanent bailout fund and early warning systems for future crises and reformed banking regulation and capital requirements. These mirror work we have already done here in Ireland. They were accompanied by an agenda for growth, jobs and social cohesion focused on youth unemployment and SMEs which Ireland was to the forefront in demanding.
- The Fiscal Stability Treaty is an important part of this toolkit to copper-fasten the stability of the euro. It helps to keep Ireland at the heart of the Eurozone. It has been endorsed by the Irish Farmers Association, which is at the centre of growth in exports, and the Small Firms Association.
- The Treaty will help Ireland to fund its public services. We hope to exit our EU/IMF programme next year and return to funding ourselves through the bond markets. If we are not able to do so, we will need to have access to the ESM, which requires us to have ratified the Treaty. Opponents of the Treaty must give real answers to the question of where money will come from if not from the ESM.
- The Treaty gives a framework for the Eurozone to do what Ireland is already doing, that is, getting our deficit and debt into reasonable shape. That will let us spend more on public services and job incentives and less on servicing debt. Its rules ensure that states cannot deviate the way they previously did. Europe has contributed much to improving the social development of Ireland, including legislation to protect consumers' and workers' rights, to protect the environment and to improve people's living standards. We have a shared responsibility to ensure the European economy is successful.
- The Treaty is not, as has been suggested, a trigger for cuts of €166bn across Europe or €6bn in Ireland: that is cutting fast and loose with numbers. Structural policies carried out by Government can make real changes to the economy. It is not realistic to estimate now what the effects will be in 2015.
- Opponents of the Treaty seem to favour Ireland continuing spend more than we take in. But without the ESM or market finance we could not reduce our deficit gradually: it would have to be cut to zero nearly immediately. That would mean €13.7bn of cuts. Where would they come from?
- The austerity argument is not grounded in reality. Even within the EU/IMF programme we have flexibility to make changes such as restoring the minimum wage and funding job incentives. This Treaty does not change how or what we spend or tax.
- The Constitutional amendment will not write the terms of the Treaty into the Constitution. It will merely allow the State to ratify it and to pass laws and take actions under it so as to honour our obligations as we would under any Treaty. Before the referendum is held the Government will publish the legislation to ratify the ESM Treaty and the Fiscal Responsibility Bill.
- Investors no longer question me about the state of the Irish economy because they are aware that it is recovering. The questions that investors in Asia and the USA now ask are about the euro and the EU economy. The foreign direct investment we rely on for jobs depends on us being at the heart of Eurozone decisions, and the stability of the euro is what concerns them. The euro is better than it was, but there still are worrying signs.
- This Treaty is focused on the stability of the euro. It is targeted on investor confidence. It

gives access to the ESM, if we should need it. It is good housekeeping, helping money go to public services rather than debt servicing.

Catherine Murphy TD, Technical Group of Dáil Éireann Whip

- I am speaking on my own behalf and not in my capacity as whip of the Technical Group.
- The Fiscal Stability Treaty will not provide stability because it was not negotiated from equal standpoints. It is a stability Treaty for creditor states to ensure that their loans to peripheral debtor states will be repaid. It seems that Germany in particular wanted to copper-fasten the rules in this Treaty.
- This Treaty will not bring stability because it does not address the irresponsible actions and economic mismanagement in both the core and periphery of the EU. However, only the core states will benefit from it. Stability will not result unless there is a debt write-down.
- Unlike the EU Treaties, this Treaty makes no provision for democratic oversight. I suggest that the second part of the proposed Constitutional amendment, which gives immunity from action for laws passed and actions taken pursuant to the Treaty, be removed. Simple ratification of the Treaty, as was done in relation to the International Criminal Court, would be more appropriate. We should not give Constitutional recognition to budget rules that reflect a narrow Christian Democrat or Conservative political position.
- The practical effects of this Treaty will be very dangerous for Ireland. The budget deficit is approximately 10%, and the Government target is to reduce it to 3% by 2015; the Treaty will require it to be reduced to 0.5% We rely almost exclusively on exports for growth, but our export markets are sluggish and growth will not come quickly. The strict rules of the Treaty will prevent any effort to promote growth in the economy and prolong the hardship into the next decade.
- Similarly, reducing the debt from 120% of GDP in 2015 will take between €3bn and €4bn from the economy every year. What will the effect of that be on ordinary people? Our survival as a society will not be achievable under this Treaty. We cannot honestly commit to it without a debt write-down.
- The Taoiseach and Minister for Finance have had no success in attempting to discuss debt or renegotiate the Anglo promissory notes in Europe. We have been promised a reward for our endurance but where is it? The only interests being served here are those of Germany, France and the UK.
- Not having access to the ESM would be a very serious consequence of a No vote. It is in the interests of creditors that we as their debtor can repay them. But they lend us only enough to enable repayment, but not for growth. There can be no progress without a debt write-down.
- The Treaty discloses a Europe that has lost sight of its founding principles of a social market economy aimed at full employment and social progress. Instead we see intergovernmentalism, which the German philosopher Habermas describes as an arrangement for "post-democratic bureaucratic rule". The EU's member states have become hostage to the money markets.
- This Treaty offers only a one-dimensional approach and is not a solution. It is dangerous.

Margaret Richie MP, SDLP

- The SDLP takes an all-island perspective, particularly on European affairs. It endorses the proposal to approve the Fiscal Compact and urges a Yes vote in the referendum.
- It would be simplistic and wrong to blame Ireland's present difficulties on Europe and the euro. While European monetary policy facilitated the property bubble and poor government spending, the bad decisions that led to the bubble and its collapse during an international economic downturn are ultimately the responsibility of Irish people and banks.
- The Bank Guarantee and the fiscal rectitude policies were adopted in response to the crisis by the previous and current Governments because the alternatives could have led to unpredictable, possibly catastrophic, consequences, even if they initially cost less. Despite its current difficulties, Ireland is not seen as a threat to the Eurozone in the same way that Greece, Portugal, Italy and Spain are. The Government has won praise for its commitment to this policy.
- The Fiscal Compact arises from the overall threat to the Eurozone and the single currency project. It addresses the need for visibly tighter fiscal discipline by setting tighter rules on government debt and balanced budgets. An important effect of it is to show the rest of the world Europe's determination to restore financial order and so increase confidence in the Eurozone. This is essential for Ireland to return to the capital markets and restore financial sovereignty.
- The Fiscal Compact is not perfect. Some of the measures it uses, such as structural deficits, are difficult to define, while others may not be appropriate for all countries. More individualised targets for countries may give clearer goals and better results. The balanced budget rules may also make it more difficult for states to introduce legitimate Keynesian stimulus measures at appropriate times in the economic cycle. These deficiencies need to be worked on.
- Ireland should also be alert to moves towards fiscal harmonisation. The Government must make it clear that its Corporation Tax rate is not negotiable. Another problem is that Ireland's recovery will take a long time, and premature imposition of the debt and balanced budget rules may harm that recovery. The Government must assure the public that it is addressing these concerns in its negotiations in Europe.
- The EU austerity strategy seems to be driven mainly by Germany and poses two risks. The first is that austerity may undermine demand and so choke off growth, sending a country into a downward spiral. The second is that austerity may undermine public support for EU measures that governments seek to implement. The EU should adopt a growth-oriented strategy with more customised oversight of member states' budgetary strategies. Further pooling of economic sovereignty may also need to be considered.
- Despite Ireland's difficulties and the technical drawbacks of the Fiscal Compact, there is an overwhelming case for approving it in the referendum. Accepting the Fiscal Compact is consistent with the Government strategies of facing up to dealing with Ireland's economic problems - a strategy that has been praised internationally. Growth and recovery cannot take place unless the fiscal and financial situation is stabilised. Rejecting the Fiscal Compact would send a confused message about the Government's intentions and undermine international confidence in Ireland. ESM access will be conditional on accepting the Fiscal Compact. As it is likely that Ireland will require further assistance, it would be unwise to cut off access to this resource. Rejecting the Fiscal Compact would also exclude Ireland from negotiations on further arrangements for dealing with the euro crisis, despite Ireland being deeply affected by those arrangements.

- Ireland's reputation stands to improve by accepting the Fiscal Compact with good grace. This could help Ireland in subsequent negotiations to relax or improve conditions under it. If Ireland rejects it, it would become the state most likely to be forced out of the euro, which would be dangerous.
- Some criticism of the Fiscal Compact is misinformed or disingenuous. It is about fiscal discipline in Europe, not a social charter. The Government must actively frame the debate around the Fiscal Compact, explain in positive terms its purpose and merits. It must ensure the debate is not about the Government's performance, delivering a verdict on bankers, or on the euro. At the same time it must recognise that there is genuine disquiet and frustration about the effects of austerity and perceptions of unfairness. Those concerns are not directly relevant to the Fiscal Compact debate, so the Government should also intensify efforts to ensure that those who caused the current problem carry their fair share of the burden of correction.
- The SDLP supports a Yes vote in this referendum. It also advocates the UK's adoption of the euro as beneficial to social and economic progress in Ireland and facilitating political and economic integration. The British Government's exclusion of the UK from the Fiscal Compact was based on party political considerations and to protect the interests of financial businesses. That move was opposed by the SDLP. Irish unity remains the SDLP's overriding medium to long-term constitutional goal. The North is inextricably linked to the South in economic terms, and greater European integration and financial and economic stability are in all our interests.

Gerry Adams TD, Leader of Sinn Féin

- The Fiscal Compact is essentially an austerity Treaty. Public anger at the austerity policies of the Government can be seen in the refusal of almost 50% of households to pay the household charge, and is reflected in opinion polls. Austerity is causing hardships through cuts in education and health, through stealth taxes such as the septic tank and household charges, through business closures, unemployment and emigration. What this Treaty promises is more of the same.
- It is surprising that nobody in the Dáil is arguing for austerity, given that it is Government policy. Austerity is in keeping with Fine Gael's neo-liberal agenda, which favours bank bailouts privatisation and protecting golden circles. The Labour Party is supposed to hold different values but imposes austerity instead. Sinn Féin's core republican values lead us to believe that the economy should serve the people. We call for an entirely new Republic that is accessible, responsive and inclusive.
- This Treaty is bad for Ireland and for Europe and is failing. It is opposed by trade unions and its support in Europe is questionable in light of the French presidential election and the collapse of the Dutch government. The EU crisis is part of a deeper crisis in international capitalism, and this Treaty is the solution proposed by European conservative governments. It favours big business, the wealthy and big states. The Government should put forward positive reasons for voting in favour of this Treaty, but it cannot.
- In the referendum, which the Government tried to avoid, the Government will try to frighten people into voting Yes. But it is not true to say that Ireland's membership of the euro or the EU are in question. It is nonsense to suggest that a No vote will deny Ireland access to emergency funding. Giving legal effect to the ESM requires an amendment to Article 136 of the Treaty on the Functioning of the EU, which the Government can block.

The wording of the ESM Treaty makes it clear that this is an EU problem. I doubt that the Government will sign up to a measure that will jeopardise access to emergency funding. Alternative funding for growth is available through the European Investment Bank and through the National Pension Reserve Fund.

- The Treaty will hand over significant control of fiscal and budgetary matters to unelected and unaccountable EU officials. It will place a constitutional lock on the 0.5% structural debt provision: if a future Government sought to follow a different economic policy, the European Court of Justice could fine Ireland up to €160 million. That is not restoring economic sovereignty.
- It cannot be denied that economists such as Karl Whelan and Colm McCarthy have described the economics of this Treaty as bad and said that it would not have prevented this crisis. That they chose to endorse the Treaty for other reasons is a separate matter.
- The Treaty would mean an additional €6bn in cuts and taxes on top of existing ones under the Troika bailout deal. To look at the figures, in 2008 the Exchequer deficit was €12 billion and in 2011 it was €24.9 billion, which includes €7 billion in bank recapitalisation and €3 billion for the promissory note, and all of that after six austerity budgets and €24.6 billion in cuts and a host of new charges. There are almost 500,000 on the live register, thousands are emigrating and the domestic economy is stagnant, yet they want to take more and more money out of the economy and underwrite this in the Constitution.
- Sinn Féin's alternative is to protect public services and promote growth for jobs, while still balancing the budget. We would refuse to pay the Anglo Promissory Note, we would tax wealth, add a third rate of income tax and cap public service salaries at €100,000 per annum. We would not sign up to a Treaty that would push the country deeper into a recession.

Enda Kenny TD, An Taoiseach and Leader of Fine Gael

- The key messages about the Fiscal Stability Treaty are that it is only a part of Ireland's and Europe's journey to economic recovery; it will make an important contribution to restoring stability to our currency, the euro; ratifying it will underpin confidence in Ireland as a place to invest and do business; and it will give Ireland access to external finance if required.
- Ireland's journey to economic recovery is not easy but we are making progress. Our reputation is being restored and international commentators have noted our commitment to closing our deficits and returning to the markets. Our partners in Europe are now doing the same. A full recovery requires a European recovery. This Treaty will not do it on its own, but it will underpin it.
- My goals are to promote recovery, growth and jobs. The approach to the crisis in Europe was not focused sufficiently on growth, but it is now central to the agenda of the European Council. Europe is also discussing common rules for bank regulation, increasing support for countries that pursue sound economic policies, and supports for those that suffer shocks.
- Europe needs to promote confidence so that people will invest. The euro must be seen as a strong, credible and enduring currency. This Treaty should be seen as a strong statement of intent: we are committed to the euro and will do whatever it takes to stabilise and defend it.
- This Treaty must be seen alongside the EFSF and ESM emergency response mechanisms. These also help underpin the European monetary union. A stable currency is critical for

Ireland. Those who invest here need to know that there will not be erratic currency fluctuations. Ratifying this Treaty will give them that reassurance. Not ratifying it signals uncertainty and unpredictability.

- Ireland's membership of the Eurozone is a key part of our attractiveness to investors. Major companies that have invested here have called for support for this Treaty. We do not want to damage the prospects for investment and jobs. Confidence can be fragile, and turning our back on this Treaty would be a setback for Ireland.
- The Government intends to lead Ireland out of its EU/IMF programme as soon as possible. To do so we need to be able to convince potential investors that their money will not be at risk. I do not believe we will need to access the ESM but it is an essential backstop. Having access to it increases confidence in us, and so makes it less likely that we will need it. Making access conditional on ratifying the Fiscal Stability Treaty is reasonable: it is fair that those who borrow money should be bound by the same rules and disciplines as those who offer it.
- There are a number of myths being spread about this Treaty. It is not a recipe for perpetual austerity. Every government that signed this Treaty retains the right to decide how to tax and spend in whatever way they perceive as being in their country's best interests.
- It has been claimed that this Treaty is not in the best interests of ordinary working people. That is wrong. This Treaty will give stability to the euro and confidence in Ireland. These are critical to recovery, maintaining jobs and creating new ones. Protecting the euro is protecting our interests. The euro is our currency. It pays for our health, education and public services.
- It has been said that we should wait to see what others do. That is the wrong approach. Ireland must decide its own approach. The Treaty is already being ratified in other countries and Europe does not need hesitation. There is a possibility that a new French president will raise the issue of growth in Europe. The Government would welcome that, but this can be done regardless of whether Ireland has ratified the Treaty.
- It is not true to say that Ireland can veto the adoption of the ESM Treaty, nor is there any good reason why we should do so. The ESM is an insurance policy that will help to increase confidence in Ireland when we seek to return to the markets. Unanimity is required to amend Article 136 of the Treaty on the Functioning of the EU, but the ESM can go ahead without that.
- Europe has not weathered the crisis as well as the USA despite having relatively lower debt. That is because there is less confidence in our integration and solidarity. In the USA the crisis could be offset by federal spending and by transfers between states. In Europe the insistence that cross-border bank debt should be borne within individual member states has been the greatest reversal of the Single Market since its foundation. One possible solution is to federalise bank debt, with the ESM being given power to recapitalise systemically important financial institutions directly. We need new economic tools to give credibility to our economic union. This Treaty is a step in the right direction.

Jack O'Connor, General President of SIPTU

- SIPTU has carefully considered this Treaty. Not all of the ideas in it are necessarily wrong. For example a debt brake is in theory wise, but it is wrong in the current situation. The countries of Europe differ in development and fiscal robustness. The one-sided austerity approach in this Treaty will severely affect working people and the less well-off.

It will depress demand and therefore growth. Exports within the EU will slow, and those to outside the EU will not be sufficient to stimulate recovery. Parallel measures to stimulate growth are urgently needed, but there is little evidence of substantial EU action on this.

- The Treaty requires “rapid convergence” towards a structural deficit of 0.5% of GDP. However, attempting to stabilise debt through fiscal adjustments - that is, austerity - only aggravates structural deficits. The Irish Fiscal Advisory Council reports that, even with assumed growth of 3% per annum, 20 years of running primary surpluses would not allow Ireland to reach the 0.5% target. Without growth, we are on a road to perdition.
- Voting No will exclude Ireland from emergency assistance provided by the ESM. I would prefer there to be a way around this problem but not all the people in government across Europe share our view of democracy. Some on the hard right would be happy to leave us without funding. That is too big a risk to take. Therefore, without a viable alternative source of funding, it makes no sense to vote No to this Treaty.
- However, having the ESM as a backstop will not be enough to convince market lenders to fund us at sustainable rates. We need growth and a reduction in unemployment, even if we vote Yes. However, neo-liberalism has gone mad in Europe and decisions reflect the opinions of people at the top of the system who were responsible for causing this crisis. Unless the political direction of Europe changes, the conditions will be horrendous.
- Ireland's EU/IMF programme does not permit increased public spending. Nevertheless, there is scope for off-balance sheet stimulus spending. SIPTU has prepared proposals that would draw about 50% of the National Pension Reserve Fund - approximately €2.5bn - together with about €4bn that could be incentivised from private pension funds through exemptions from the pension fund levy, and with investment by the European Investment Bank. This could yield a fund of over €10bn for infrastructural work which could be paid out at the rate of €3bn a year. The Construction Industry Federation estimates that each €1bn invested in infrastructure generates 10,000 jobs. Infrastructure also generates immediate returns for the Exchequer. There is a tradition in the Netherlands and in other European countries of involving pension funds in this way. As long as state funding remains under 50%, EUROSTAT will treat it as off-balance sheet.
- We are aware of members of the Government, from both parties, who favour SIPTU's proposal. It is not a magic solution but it is a positive plan that is achievable and can be supported across the political spectrum. It would offer relief and hope. If, before 31 May, this or a similar plan is put in place, SIPTU will support a Yes vote.
- A plan along these lines would require engagement with the top level of the pensions industry. That industry does not seem to realise how close we are to Armageddon, and that they too must take action if the situation is to be salvaged. They must take a longer-term view rather than questioning whether the returns on a stimulus scheme will match the short-term gains available elsewhere. If Irish society deteriorates, it may make their industry unsustainable.
- The alternative being proposed is the sale of state assets. This is not a good environment for doing that. We will need strategically important assets to recover. However, there is an agenda that favours these sales which may be the reason why SIPTU's initiative is not being pursued more vigorously.
- Eurobonds will be essential for the long-term survival of the euro, but they may not happen until reality begins to hit German manufacturers. Of course it will be necessary to give assurances as to States' fiscal soundness, but at the moment we have only the fiscal element without the mutualisation of the debt.

Module 3: The Realities of what the Treaty means for Ireland: Understanding the Facts

Date	Witnesses
2 February 2012	Dr. Alan Ahearne, J.E. Cairnes School of Business and Economics, National University of Ireland, Galway (NUIG) Tom McDonnell, Economist and Policy Analyst at TASC Prof. John McHale, Chairman of the Fiscal Advisory Council and Head of Economics at the National University of Ireland, Galway (NUIG) Prof. Karl Whelan, School of Economics, University College Dublin (UCD)
23 February 2012	Seamus Coffey, Lecturer in Economics, University College Cork (UCC) Dr. Karen Devine, School of Law and Government, Dublin City University (DCU) Paul Sweeney, Chief Economist, Irish Congress of Trade Unions (ICTU)
15 March 2012	Prof. Gerry Boyle, Director of Teagasc James Doorley, Assistant Director at National Youth Council of Ireland Dr. Seán Healy, Director of Social Justice Ireland Marie Sherlock, Economist, SIPTU
4 April 2012	Dan O'Brien, Economics Editor of "Irish Times" Prof. Philip Lane, Professor of International Macroeconomics, Trinity College Dublin (TCD) Jim Power, Chief Economist at Friends First Group Dr. Gavin Barrett, Senior Lecturer at the School of Law, University College Dublin (UCD) Dr. John O'Brennan, Centre for the Study of Wider Europe, National University of Ireland, Maynooth (NUIM) Declan Walsh, Lecturer at the Faculty of Law, University College Cork (UCC)

18 April 2012	Jimmy Kelly, Regional Secretary of UNITE Michael Taft, Research Officer with UNITE Dr. Brian Lucey, Associate Professor in Finance, Trinity College Dublin (TCD) Megan Greene, Senior Economist at Roubini Global Economics Prof. Gerry Whyte, Associate Professor at the School of Law, Trinity College Dublin (TCD) Ian Talbot, Chief Executive of Chambers Ireland Prof. Terrence McDonough, Department of Economics, National University of Ireland, Galway (NUIG) Dr. Andrew Storey, School of Politics & International Relations, University College Dublin (UCD)

Dr. Alan Ahearne, J.E. Cairnes School of Business and Economics, National University of Ireland, Galway

- The euro crisis is the single biggest risk to the recovery of the Irish economy. Resolving that crisis requires change to the fiscal architecture of the European Monetary Union (EMU).
- The Fiscal Compact does not provide the full set of changes needed by the EMU. It has a narrow focus, dealing with strengthening fiscal discipline by means of stricter surveillance and automatic sanctions. Other aspects of the euro crisis that must be addressed but which are not dealt with in the Fiscal Compact excessive private debt, current account imbalances, misaligned real exchange rates, competitiveness, and weak bank balance sheets.
- The Fiscal Compact is an indispensable bridge towards policies that will resolve the euro crisis. Fiscal discipline will pave the way to more aggressive counter-cyclical policies at the euro-zone level, for example, investment in renewable energy funded by a bank tax. However, measures such as this first require fiscal discipline at the national level.
- It is hard to predict the Fiscal Compact's effect on Ireland because important terms in it, such as "structural deficit", "exceptional circumstances" and "unusual events" are not clearly defined. However, current forecasts suggest that it will take several years after 2015 for Ireland to reduce its structural deficit to 0.5% as required by the Fiscal Compact.
- These measures are not easy, but they are essential. The damage caused by Ireland's public debt, and the wish to regain our economic sovereignty, mean that fiscal tightening would be required in Ireland regardless of whether the Fiscal Compact is ratified.
- The debt brake rule in the Fiscal Compact will not require the Government to pay off debt over 20 years in equal instalments. The rule operates on a reducing balance, so payments after the first year are calculated on the remaining balance of debt, not the amount in the first year. Reducing the debt from 120% of GDP to 60% will require longer than 20 years.
- The debt brake will not apply to Ireland until we leave the EU/ECB/IMF Programme in 2014 at the earliest. The biggest reductions in debt under it will likely occur in 2014 or 2015. The rule excludes one-off and temporary factors, and privatisations and asset sales will act to reduce the debt. It is also important to remember that the rule operates on the ratio of debt to GDP, so growth will reduce the amount of debt that falls to be reduced under the rule.
- The Fiscal Compact will almost certainly lead to more austerity, which will in turn inhibit growth. That is an aspect of the discussion that should be reconsidered. We must have growth if we are to reduce the level of debt from 120% of GDP. However, whether we like it or not, it is in the national interest that we ratify the Fiscal Compact. Without the financial back-stop that is provided by the ESM, and access to its funds, potential lenders to Ireland could lose confidence in our ability to repay and so would not lend to us. That could lead to outflows from the banks, as happened when this crisis first hit Ireland. We must have access to the ESM.
- Full fiscal federalism is very unlikely, but a partial federalisation could solve some of the design flaws in the euro. These measures should include a Eurozone fund for counter-cyclical policy and transfers between states.

Tom McDonnell, Economist and Policy Analyst at TASC

- Responsible fiscal policy is essential but there is no consensus that legally binding targets

are superior to discretionary policies. Macroeconomic policies must adapt to changing circumstances, and best practice must reflect new understandings.

- The deficit brake and the debt brake rules in the Fiscal Compact are potentially damaging.
- Peripheral economies must be able to borrow to close infrastructural deficits or they will constantly struggle against core economies. The 1/20 rule will choke Irish recovery as soon as it takes effect in 2015, as it will require tax increases and spending cuts to reduce the level of public indebtedness.
- Structural deficits are very difficult to measure, and typically have to be revised. Ireland's structural deficit is currently estimated at 3.7% and will require at least two more years of austerity.
- A monetary union that is not supported by a fiscal union is fundamentally incoherent. The Fiscal Compact does not address the design flaws in the euro; it is therefore difficult to assess its usefulness without also considering other measures to address those flaws. Those should include:
    - a change to the ECB's mandate so that it can act as a true lender of last resort. (This will not be easy as there are no good models on which to base such a mandate);
    - a means to counterbalance the effects of uniform interest rates across the Eurozone, where these create local bubbles;
    - clear rules for future crises including for restructuring and/or writing down sovereign debt;
    - EU-wide bank resolution mechanisms and Eurozone-wide bank regulation.
- At best, the Fiscal Compact is incomplete. At worst it will damage prospects for recovery by reinforcing pro-cyclical fiscal policies.
- Growth is essential for Ireland to recover. The most important area for investment is education, starting at the primary and pre-primary levels (which offer the greatest return on investment), followed by secondary and higher education. Growth principally arises where technology changes, so investment in broadband infrastructure is also a priority. There is a strong case to be made for a stimulus at the federal level in Europe which could be funded by, for example, a financial transaction tax or a 1% increase in VAT. This could be used to fund investment through bodies such as the European Investment Bank to help countries that are in recession to manage their way out. Any stimulus should favour low-income groups: apart from the moral dimension, these groups tend to spend locally and on domestic products, rather than in foreign markets.
- It is very unlikely that Ireland will be in a position to return to the bond markets in 2013. At the same time, there is no appetite in Europe for a fiscal federation or a fiscal transfer mechanism. A write-down of debt would go a long way towards restoring debt sustainability, but it is also necessary to address high levels of commercial and private debt. These dampen consumption and investment. There may be a case for persuading the ECB to accept some write-down of Ireland's debt, specifically the promissory notes, but this would require a change to the ECB's rules.
- Without access to the bond markets, the ESM will be vital for Ireland. Actions such as leaving the euro would be catastrophic for Ireland. While the Fiscal Compact cannot be described as a good deal, the circumstances on balance favour Ireland ratifying it.

Prof. John McHale, Chairman of the Fiscal Advisory Council and Head of Economics at National University of Ireland, Galway

- The fiscal rules in the Fiscal Compact are already in the revised Stability and Growth Pact. The real innovation is the enforcement provisions.
- Some of the language used in the Fiscal Compact is unclear. The correction provisions in Art. 3.2 (under which countries take steps to restore their balanced medium-term goals) are defined in very vague terms. Further, it is not clear how Ireland can fulfil the requirement to give measures "permanent character" and "binding force" without writing those measures into the Constitution.
- The euro is facing an almost existential crisis. The Fiscal Compact must be seen as one element of the solution to the euro crisis. It has an important facilitating role, which must be seen in the context of the Stability and Growth Pact and the ESM. Shared fiscal discipline will be essential to solving the euro crisis. It is also important to understand that access to the ESM will be conditional on adhering to the Fiscal Compact. The strong countries in Europe are providing a backstop for the weaker ones, but they can do so only if there is a shared commitment to fiscal discipline.
- Whether or not the Fiscal Compact is approved, the Stability and Growth Pact may be used to impose fiscal adjustments on Ireland. If these are applied too fast, recovery could be prejudiced. It is essential that the provisions of the Stability and Growth Pact permitting flexibility are used.
- The 1/20 rule in the debt brake provisions acts on a reducing balance basis, not a straight-line one. It will the biggest in the first two years that it operates after Ireland leaves its current Programme, and will be very challenging.
- Domestic demand and consumption in Ireland will be very constrained for approximately five years. Exports are liable to contract due to recession in our trading partners. Therefore, whether we can reduce our debt will depend on interest rates, growth rates and the primary deficit (i.e. the budget deficit before taking account of interest payments). Measures to reduce that deficit are likely to include increased tax, reduced public services, fewer jobs, and unemployment. The debt-reduction rule is pro-cyclical, so it will worsen the recession in the peripheral economies. While it is very difficult to get out of a recession using pro-cyclical measures such as those in the Fiscal Compact, the level of our debt is such that we have no option.
- Ireland should seek a second bail-out. Increased spending and fiscal expansion in the core European economies would also help by increasing the market for our exports.
- The biggest constraint Ireland faces is the 0.5% structural deficit target. This could force us to run small structural surpluses after we exit the bailout programme in 2013-2014. It is important to note that this target arises under the Stability and Growth Pact - the Fiscal Compact only adds an element of enforceability to it.
- While austerity undoubtedly slows the economy and destroys jobs, the trade-off is that imposing it will reduce Ireland's vulnerability to external shocks, make debt more sustainable, and improve our access to funding by improving Ireland's credibility with official and market lenders. Even without the Fiscal Compact, it is essential for us to correct the imbalances in our finances or we could face far worse. Despite the hardship it is causing, it seems to be having some positive effects: bond yields are down. Even if Ireland is not yet in a position to re-enter the bond markets, the availability of the ESM as a back-stop will increase lender confidence in us when that time comes.
- Default would be a very risky course of action and would not help to reduce the effects of austerity. We would still require official funding, which would most likely come on very

tough terms.

- To have any chance of exiting the present crisis, we need strengthened lender-of-last-resort mechanisms such as the ESM the ECB buying sovereign bonds, hopefully including Irish bonds. That can't happen without shared fiscal discipline.
- It is vital that the Irish people understand the consequences of the decision we are about to take, including the importance of access to the ESM. That access is conditional upon Ireland adhering to the Fiscal Compact. Even if it were not, to reject the Fiscal Compact would be to take a huge risk that could leave Ireland without access to bond markets or a bail-out fund.

Prof. Karl Whelan, School of Economics, University College Dublin (UCD)

- We have a limited understanding of how macroeconomics works, so creating legal rules to regulate the macro economy is controversial among economists. Mainstream economic wisdom changes over time, as can be seen in the reliance on the Gold Standard in the Depression of the 1930s. Although hindsight shows it was damaging, it was considered best practice at the time. The proposals in the Fiscal Compact to legislate fiscal limits and mechanisms do not represent mainstream economic thinking at the moment, and run counter to generally accepted Keynesian economics.
- Good fiscal frameworks are generally said to permit moderate and sustainable public debt, and be able to fluctuate in a counter-cyclical fashion. These qualities are especially important in economies such as Ireland's that don't receive transfers from a central federal government, or that don't have control over interest or exchange rates.
- The solution to the euro crisis requires action beyond the Fiscal Compact and the Six-Pack. Fiscal federalism and eurobonds would be important elements of any such solution, but there does not appear to be political will to introduce these. It would be necessary to change the ECB's mandate and the German attitude to monetary policy in order to allow stimulus spending.
- The debt brake - which seeks to limit government debt to a percentage of GDP - is in principle a good rule. It also features in the Six-Pack, and it may be appropriate to add it to the EU treaties at some point in the future. However, the economic effect of the way it is formulated in the Fiscal Compact will tend to reduce government debt to approximately 25% of GDP rather than 60%. This could in effect eliminate the government debt market. Is that the intended effect? Would that be a good thing, given that government debt is a popular investment for pension funds and banks?
- The deficit rules in the Fiscal Compact seek to limit general budget deficits to 3% of GDP and structural deficits to 0.5% (or 1% if the country's debt-to-GDP ratio is less than 60%). This is derived from the Six-Pack, but the Fiscal Compact adds a binding nature and rules for its enforcement. This is a very poor rule and does not correspond to good fiscal policy as we currently understand it. It will inhibit otherwise sensible counter-cyclical action where moderate growth in a country changes to moderate contraction. While it is conceivable that the corresponding rules in the Six-Pack may be changed if they are found to be too tight or otherwise inappropriate, those in the Fiscal Compact cannot be changed.
- There is no clear or standard definition of "structural deficit". It is therefore inappropriate to use that idea as the basis for a binding legal rule. Better mechanisms and criteria for measuring the fiscal health of a country could have been found.
- Nothing in the Fiscal Compact or other fiscal measures would require Ireland to leave the

euro if it is not ratified. To suggest that would be very irresponsible as it could provoke a run on Irish banks. Access to the ESM will be conditional on ratifying the Fiscal Compact. Without that access, Ireland may be at risk of a sovereign default. Despite its defects, the fact that Ireland must have access to the ESM therefore favours, on balance, ratifying the Fiscal Compact.

Seamus Coffey, Lecturer in Economics, University College Cork (UCC)

- The rules in the 1993 Stability and Growth Pact (SGP) were treated as political targets rather than as absolute limits. They encouraged pro-cyclical budgeting because they didn't require governments to run surpluses during periods of growth. The 3% budget deficit and 60% debt rules were consistent with the assumption of an average annual growth rate of 5%. The Eurozone countries generally remained within those limits from 2001 to 2007. However, from 2008 the situation deteriorated and Eurozone countries ran an average deficit of more than 6% in 2009 and 2010. Only Finland had a sufficient surplus to run a counter-cyclical policy.
- The Excessive Deficit Procedure takes effect when a country's budget deficit exceeds 3%. It forces the affected country to cut government spending and/or increase taxes. This goes against conventional macroeconomic wisdom. Measures such as this are appropriate only where - as is the case in Ireland now - the state's solvency is in question. The inappropriateness of this rule led former Commission President Prodi to describe it as "stupid".
- The Debt Brake Rule is a useful tool that forces states to take "credible" measures to reduce their debt to 60% of GDP. This rule is not as harsh as it is sometimes portrayed, because its purpose is to set measurable targets for steps to slow the rate at which debt increases, while growth in the economy will act to reduce the percentage of GDP that debt makes up. If, between 2014 and 2016, Ireland runs a primary surplus (i.e. a surplus before taking account of interest payments on debt) that increases to 2.5%, our debt ratio will fall. Ireland is due to leave the Excessive Debt Procedure in 2015, when our debt will be approximately 115% of GDP. We will then enter a 3-year transition phase which will prevent the 1/20 reduction element of this rule applying until 2018. Therefore, debt reduction measures will not be excessively harsh or sudden.
- The Structural Deficit Rule is new in the Fiscal Compact. The original SGP did not force states to run surpluses in times of growth, which would have ensured that they could take counter-cyclical measure in recession. The Structural Deficit Rule in the Fiscal Compact is intended to remedy this, but it is not clear if it will succeed.
- Structural surpluses or deficits are the balance after excluding one-off budgetary measures and the effects of the business cycle. Ireland's current structural deficit is estimated at between 8 and 8.5%, but structural deficits are theoretical constructs and there are various ways of measuring them. The European Commission favours a method that makes particular assumptions about growth rates and the sensitivity of economies to changes in the business cycle. This may not accurately reflect the true behaviour of the Irish economy.
- One effect of the 0.5% limit in this rule will be that the debt-to-GDP ratio will tend to fall to 20%, assuming a 5% rate of growth. Such a low ratio is illogical: at least the 3% - 60% rules in the 1993 SGP were internally consistent with the assumed rate of growth.
- Reducing our deficit will depend very much on growth. Most government spending is now on current, rather than capital, budget items. We have already cut capital expenditure

by 50%, and remaining items, such as on health, education and water treatment, are essential. Government departments will have to have their forecasts independently validated in order to argue that spending should not be caught by the 3% rule. It will be essential to budget credibly. While the austerity we face is difficult, the support we are getting is helping us correct our imbalances over 6 or 9 years rather than 6 or 9 months.

- The Fiscal Compact on its own would not have prevented the crisis that Ireland now faces. Ireland had a structural surplus and debt of less than 60% of GDP between 2003 and 2006. However, the measures introduced in the Six-Pack would have given ample warning of this crisis. These measures include an Expenditure Rule which looks to rates of growth of expenditure over a 10-year period. This would have highlighted the growing rates of spending in budgets between 2001 and 2007. Similarly, the Macroeconomic Imbalance Procedure in the Six-Pack, which provides for surveillance for imbalances in the economy as a whole, would have highlighted growing danger. Between 2001 and 2006, Ireland would have breached these provisions and would have been forced to take action to correct imbalances such as in house prices and private sector credit. It is impossible say what measures might have been used to correct these imbalances, or whether they would have worked, but the risks and the need for correction would have been made clear.
- A Greek-style debt write-down would be unlikely to give Ireland a better deal than it has now. Ireland could make similar savings if it uses its existing reserves to pay down debt.
- The Fiscal Compact does not "outlaw" Keynesian economics, at least, not by intention. It permits governments to run surpluses in growth periods, and to take counter-cyclical measures in recessions if they have the reserves. The Fiscal Compact only sets a brake on how low a deficit can go, not on how large a surplus can be run. The problem is ensuring that surpluses are run when the opportunity is there. It is doubtful that rule can force governments to run surpluses. Only 4 of 27 EU countries ran sufficient surpluses to be able to take counter-cyclical measure at the moment. That suggests that something is wrong with the rules. The debt brake rule may limit counter-cyclical fiscal measures. However, the Fiscal Compact must be viewed together with the rules in the Six-Pack, which could have helped to prevent this crisis. The changes to the SGP are perhaps as important as the Fiscal Compact itself.
- Although the Fiscal Compact states access to the ESM is conditional on complying with its rules, it may be possible to argue that Ireland, like the other programme countries, was promised in July 2011 that support funding would continue after the expiry of the programme if we were unable to enter the bond markets. We will certainly have some limited access to bond markets in 2013. It seems unlikely we will run out of money after the current programme ends in 2013, at least in the medium term.

Dr. Karen Devine, School of Law and Government, Dublin City University (DCU)

- The quality of democracy and the exercise of sovereignty are essential to ensure that elites take the best possible decisions in the interests of citizens and economic recovery. A failure of democracy creates normative issues not just at the level of the EU but also at the national level.
- The first Lisbon Treaty referendum failed because the majority of voters did not understand the contents of the Treaty, and the Government's strategy in the referendum was to focus on issues unrelated to the content of the Treaty, such as the overall benefits of the EU, even though Ireland's membership was not in question. That there was a failure

of democracy was underlined by subsequent statements attributed to Dick Roche TD, then Minister for Europe, demonstrating a wish to avoid future referendums.

- The second Lisbon Treaty referendum was unfair because the budget available to the Yes campaign was ten times greater than that of the No campaign. The Yes campaign again relied on issues - such as jobs and economic recovery - that were unconnected to the content of the Treaty.
- It is wrong to present the benefits to Ireland of EU membership as leaving this country somehow obliged or indebted to Europe or particular countries in it. By some analyses, even after taking account of transfers to Ireland such as Structural Funds, Europe has received a net benefit from Ireland's membership since 1972 of approximately €140bn, mainly from Irish resources such as fisheries.
- There is a theory of elite socialisation that proposes that the longer political elites stay in Europe and become socialised there at elite levels, the more likely they are to see their interests as European interests rather than as specifically Irish ones. This may explain the attitude behind the approaches taken in the bank crisis and the subsequent bailout, where Ministers pointed to concerns for the European banking and financial systems as justifying their decisions.
- The Fiscal Compact is being proposed as an intergovernmental Treaty because its purposes are inconsistent with, and in opposition to, the EU Treaties and the principles set out in them. Article 3 of the TFEU states that the EU has exclusive competence over monetary policy for states whose currency is the euro. In other words, it is contrary to the TFEU for a sub-group of member states to set their own rules in this area. Similarly, fiscal union is not an objective of the EU: the goal of the euro is price stability, but the Fiscal Compact introduces an entirely different objective, namely stability of the Eurozone as a whole. The ESM also poses problems of compatibility with the European Treaties. The ESM will create a potential liability on member states for the debts of other member states. Such a liability is specifically ruled out by Article 125 of the TFEU.
- These breaches of the EU Treaties have been admitted by the French Minister for Foreign Affairs and Ms. Lagarde of the IMF. They are undemocratic and contrary to the ideals of democracy and the rule of law that are essential to the EU.
- Analysis of Irish public opinion after the second Lisbon Treaty referendum indicates that the legitimacy of the EU has been called into question. The EU has failed to uphold its own values and this has translated to the Irish state level. The Fiscal Compact should be stopped in the interest of democracy and to restore the EU to its real functions and goals.
- The European Court of Justice should not have a role under the Fiscal Compact because it is outside of its competence as defined in the EU Treaties. The UK has stepped back from forcing the issue of the Court's competence by taking a case on the matter. Any such case would, it should be noted, have to be decided by the ECJ itself. These facts highlight that those responsible for upholding the EU's values have become part of the problem themselves.
- The bank guarantee reflects the pressure that Ireland was placed under by Europe, and the decision to issue it was taken in the interests of the euro, not of Ireland. That decision has hampered Ireland's recovery and the Fiscal Compact will hamper it further. The fact that those proposing a 'Yes' vote are labelling themselves the 'Good Europeans' shows that dissenting opinions, and even calls for rational discussion, are being delegitimised.

Paul Sweeney, Chief Economist, Irish Congress of Trade Unions (ICTU)

- The rules imposed by the Fiscal Compact are too late and too restrictive. Without a social protocol, automatic stabilisation measures and other supports, the Fiscal Compact is not credible.
- The Fiscal Compact is an attempt to outlaw Keynesian economics and to prevent fiscal stimulus measures. Pro-cyclical austerity measures are not working in Europe. If the Fiscal Compact had been available before the boom, it might have helped. However, 23 States currently have excessive deficits. The Lex Column in the Financial Times describes the Fiscal Compact as "a blueprint for economic stagnation" that will make indebted countries more likely to seek emergency funding. Austerity has also been questioned by the IMF and the Italian Prime Minister.
- The Fiscal Compact should be renegotiated as proposed by François Hollande in France. As the Treaty is going ahead, Ireland should avoid cementing it into our Constitution with a referendum as this would make much more difficult to eliminate when it is reformed.
- The 0.5% structural deficit target is impossible for Ireland to reach, starting as we are from the middle of a deep recession.
- Europe needs a Treaty with a strong social dimension so that long-term growth can be fostered, giving confidence to markets. The Fiscal Compact won't achieve that, but instead will deepen the crisis and undermine social partnership and dialogue.
- The European Trade Union Confederation (ETUC), to which the ICTU belongs, opposes this approach.
- The crisis in the Eurozone will not be resolved through the Fiscal Compact, and it should not be added to the Constitution. Instead, it should be renegotiated to include a social protocol. The function of the ECB should be expanded to include a true lender-of-last-resort role, a mandate to ensure full employment, and the convergence of member states' economies.
- We should use eurobonds to pool national debt across the Eurozone. There should be a wage safeguard clause in the Treaty guaranteeing collective bargaining right.
- Government investment in pro-growth projects should be protected by excluding it from reckoning under the balanced budget rules.
- We should also increase efforts to fight tax competition between member states, as well as tax fraud and evasion.
- There should be a structural role for EU social dialogue.
- The Fiscal Compact will have little effect on a booming economy as it is designed to hamper a struggling one. It is a "jackboot Treaty".
- While a 'No' vote by Ireland will not prevent the Fiscal Compact coming into force, we will be unable to access ESM funding, which would be very serious. If the rejection was by a sizeable majority, it might give moral grounds for second thought in Europe, but that seems unlikely.
- Some austerity is necessary in present conditions, but the Fiscal Compact takes this too far. Austerity is not working as a policy. Personal consumption is falling because of the loss of confidence.
- The National Pension Reserve Fund has €5.3bn. We need European-level capital expenditure to promote growth. The Government must lead on this, the private sector will follow.

Prof. Gerry Boyle, Director of Teagasc

- The agrifood sector is worth approximately 7% of both GDP and of employment. Last year it accounted for 10% of Ireland's exports. Because of their low reliance on imported content, these exports added nearly €50bn to Ireland's GNP. These profits tend not to be repatriated to parent companies abroad. The consensus view is that the agrifood sector has very favourable medium-term prospects. There have been favourable trends in food consumption in both developing and emerging economies. By some measure, output from the dairy sector is on a par with the pharmaceutical and ICT sectors.
- The Fiscal Compact must be viewed as one part of the measures being taken to restore macroeconomic stability to the Eurozone. Exchange rate stability is critical to the performance of agrifood exports - particularly as 41% of our food exports are to the UK - and for creating an environment for investment and growth. Even though the full solution to the euro crisis has not been formulated, stability in markets is critically important to exports.
- Ambitious targets were set in the Food Harvest 2020 strategic plan. The planned 50% increase in dairy output will require significant investment in milk processing. Ambitious target have also been set for other sectors, such as 20% for cattle and sheep and 50% for the pig sector. These targets are achievable if sufficient investment is made in farms, education, processing plants and working capital. Processing plants alone is estimated to require between €350m and €400m. State aid is not possible, though some measures may be possible under the CAP.
- Enshrining fiscal rules in legislation is likely to have a positive effect on the investment climate, even with the design flaws of the euro architecture, volatile prices and scarcity of credit. It may also have a positive effect on land transfers. No amount of budgetary rules will be effective without engagement of the political process. Stability is essential for trading and investing in markets.

James Doorley, Assistant Director at National Youth Council of Ireland

- More than 75,000 young people are currently signing on: one in every three young people is unemployed, and the proportion of them in long-term unemployment is growing. The number of young people in work has halved since 2008. The vast majority of those emigrating are young. This is the background against which the Fiscal Compact must be viewed.
- The Fiscal Compact will require further cuts for a decade or longer. Fiscal and economic stability are, of course, essential for growth and jobs. However, unless the economy grows, the rules may require those cuts to be deeper and more extensive than is economically and socially wise, and lead to increased unemployment and poverty. If the Fiscal Compact is implemented, it could prevent the Government from investing even when the economy is returning to growth.
- There is a need for greater EU action on social issues; we need a social vision rather than just a focus on economic and fiscal matters. However, social issues on the EU agenda tend to be aspirational and are honoured more in the breach than by observance. For example, the Lisbon Agenda launched in 2000, which contained commitments to employment, education and reducing poverty, was never implemented. The EU has come to focus almost exclusively on economic matters.
- The Government's initiatives such as the Action Plan for Jobs 2012 and the Pathways to

Work initiative are to be welcomed. There are no simple solutions, and it will take time for measures to work, but more needs to be done. While high levels of youth unemployment continue, a youth employment plan backed by resources is needed. The EU Commission is responsible for encouraging and encouraging and supporting member states in dealing with issues such as this. It has recognised that youth unemployment is one of the greatest social ills. The Government should now engage with the Commission to find funds - perhaps in the Structural Funds - and a mechanism to address the issue.
- It would be short-sighted to support the Fiscal Compact only on the grounds that it makes ESM funding available. Short-sighted decisions - such joining the euro without properly evaluating the economic consequences and how to deal with them - are what led Ireland into this crisis. For the same reason, the Fiscal Treaty should be independently evaluated by a body such as the National Economic and Social Council to assess its long-term effects. Similarly, it is essential to explain the consequences - including ESM access - of voting against the Fiscal Compact.
- Embedding the terms of the Fiscal Compact into the Constitution could have serious effects. Doing so may tie the hands of future Governments years from now and impose rules that are unworkable or flawed. It may then prove difficult to remove those rules. There is also a perception that the Fiscal Compact is designed to meet the political needs of Germany.
- It would be much preferable if the referendum could be held on a Friday with a 10:00PM closing time. Many young people will be sitting exams and this would allow many to return home and vote, while a Thursday poll will be much less convenient for them.

Dr. Seán Healy, Director of Social Justice Ireland

- Budget oversight and monitoring are developments that Social Justice Ireland has been calling for and would welcome. Enhanced monitoring at both national and international levels is needed. A European monitoring mechanism that can assess budgetary and fiscal policies based on objective evidence rather than political ideologies, and that would be open to challenge, would be a positive development.
- The Fiscal Compact will not prevent a recurrence of the 2008 crisis, as Ireland would not have breached the debt or budget deficit limits. That crisis which has seen the financial losses of foreign banks placed on the Irish taxpayers and poor and vulnerable people. The Fiscal Compact is built and developed on a false analysis and will not work.
- The Fiscal Compact does not address the problem of different countries being subject to a single interest rate policy while being at different stages of the economic cycle. This was a major cause of the crisis but is not addressed in the Fiscal Compact. Similarly, the moral hazard posed by banks, which were the major cause of the crisis, is not addressed. The major cause of the crisis was not budgetary failings, but poorly regulated banks.
- Apart from failing to prevent a recurrence of the crisis, the Fiscal Compact is unlikely to achieve its other main objective, namely helping to save the euro. The euro is an incomplete monetary union that is vulnerable to destabilising financial flows, regional credit bubbles and sovereign defaults. It does not take account of member states being at different stages of their economic cycle. These weaknesses will remain under the Fiscal Compact.
- In terms of its effect on Ireland's budgetary process, the Fiscal Compact will require balanced budgets. However, Ireland was well on the way to doing this before entering the bailout.

- A second requirement is to reduce debt to 60% of GDP. This target has been in place under the Stability and Growth Pact (SGP) since 1992. Reducing debt is a worthwhile outcome, but it would be helpful if the Government presented budget and debt figures in a way that clearly shows the amounts applied to paying for bank rescues.
- A third requirement is to keep the structural deficit below 0.5%. This is in addition to the SGP requirement to keep the general deficit below 3%. The structural deficit is difficult to measure and economists cannot agree how to do so. It is particularly difficult to estimate it in a small open economy like Ireland's. The Department of Finance has criticised some approaches to measuring structural deficits as producing implausible results. Structural deficits are not a suitable measure on which to base a binding budgetary rule.
- It is also worth noting that some of the statistics that are relevant to the Fiscal Compact are not available at the time of framing the budget. This creates an unacceptable situation whereby budgets will have to be developed on the basis of estimated or incomplete data.
- The Fiscal Compact will make it impossible for a country to follow the Keynesian approach to economics. Using austerity during a slump has been tried in the 1930s, as well as in Europe since 2008, and it has failed. However, this approach may become the permanent policy in the Eurozone if the Fiscal Compact is adopted.
- There are alternative approaches, including stimulus spending on essential economic and social infrastructure, or on services to help the vulnerable. But these views are not dominant in the EU at present.
- Even if one does not agree with Keynes, is it wise to restrict the Eurozone to a single approach?
- The best recommendation would be to redesign the Fiscal Compact but that may not be possible at this stage, which is a major problem. Access to the ESM will be conditional on acceptance of the Fiscal Compact. Without a major adjustment to Ireland's debt (e.g. reducing the liability for the Anglo Promissory Notes) Ireland may well need access to the ESM after 2013.

Marie Sherlock, Economist, SIPTU

- In principle, prudent fiscal policy should contribute to stable public finances, ensure public debt is sustainable, and permit counter-cyclical measure to cope with short-run fluctuations.
- Experience shows that binding rules alone are not sufficient to ensure prudent fiscal policies. Compliance with the rules becomes a political end in itself at the expense of addressing other macroeconomic and public finance problems. The rules do not create incentives for running surpluses during periods of growth.
- The EU's experience of fiscal rules under the Stability and Growth Pact (SGP) has been a disaster, mainly due to the SGP's failure to account for differing economic conditions across Member States. The Six-Pack is a welcome, if not perfect, development as it broadens the SGP to include a debt reduction rule and a mechanism for warning of developing macroeconomic imbalances. In contrast, the Fiscal Compact would not have prevented Ireland's sectoral imbalances or predicted the collapse of construction and property-related taxes.
- The Fiscal Compact is significantly more stringent than the Six-Pack. The economic rationale for convergence of member states' deficits to zero is open to question. It seems to reflect the view that balanced budgets are essential for creditworthiness and for internal and export markets. But this fails to take account of the fact that this policy was tried in

Ireland from 2008 to 2010, and it failed. Given the very serious current account deficits that now exist across the EU, the risk of an even greater failure is grave.
- The structural deficits are a poor choice of target for a strict fiscal rule. Structural deficits are poorly understood and the means of defining them are neither transparent nor consistent. Once estimated, structural deficits are subject to major revisions. The EU's own standards for sound fiscal rules require smaller margins of error than are provided for in the Fiscal Compact's treatment of structural deficits.
- Another deficiency of structural deficits rules is that they are inflexible. Using them for this purpose will prove inefficient as the rules will require too great a proportion of exchequer resources to be applied to debt reduction.
- These weaknesses will bring into question the enforceability of structural deficit rules. The contrasting treatment of Spain and Belgium in recent months makes it difficult to predict the degree of flexibility that can or will be applied to the rule.
- In the short term, the Fiscal Compact will have little effect on Ireland because our bail-out programme will run until 2014 or 2015, followed by a 3-year transition period. It is difficult to forecast Ireland's structural deficit because the Government's Fiscal Responsibility Bill has not been published. However, unless growth in the economy exceeds the interest rate on Ireland's debt, the structural deficit will grow. Reducing it to 0.5% with our current debt burden and limited resources poses an impossible task.
- In the medium to long term, the balanced budget rule is likely to cause fiscal contraction in most EU states, a large majority of which are likely to have deficits above 3% this year. This rule will therefore not only require fiscal tightening here because of our budget deficit; it will also reduce demand in our major export markets, and so make Ireland's situation even more difficult.
- A major consideration in relation to adopting the Fiscal Compact is whether Ireland will need a second bail-out. The price we will have to pay for future funding is central to consideration of this question.
- Access to bond markets after the end of Ireland's programme will depend on growth and stabilising our debt. Our economy is very open and is extremely sensitive to changes in the international growth levels. Prospects for growth in our EU export markets are not very strong.
- Capital markets will be influenced by whether Ireland has a back-stop that can assure repayment of monies we may borrow. It is not certain that Ireland will require a second bail-out, or that we would qualify for one even if we adopt the deeply unpalatable rules in the Fiscal Compact. However, the availability of a back-stop such as the ESM will be of great importance to Ireland's medium-term funding, and is the immediate concern.

Dan O'Brien, Economics Editor of "Irish Times"

- The euro crisis is part of a much wider financial crisis. The peak of the crisis saw more than twelve European countries calling on the IMF for assistance. Only three of those were members of the Eurozone, so the euro was clearly not the cause of the crisis. However, it provided the perfect medium for transmission among its members. That contagion exposed profound problems with the way the euro was designed.
- The Fiscal Compact is a small part of the changes needed to make monetary union sustainable in the long term. Two major elements of it are worth highlighting: the debt reduction mechanism, and the structural deficit rule.
- It is often said that the Fiscal Compact would not have prevented the current crisis. That

is not strictly true. The 60% debt limit would not have troubled Ireland or Spain in 2007, but Italy's debt has consistently exceeded 100% of its GDP since 1992. If the debt brake rule had been in place since the launch of the euro in 1999, Italy would be in a much stronger position now.

- The structural deficit rule is more controversial because of the difficulty in estimating structural balances. Nevertheless, according to IMF estimates, Italy's structural deficit was always well above 0.5% and reached 5% in 2003. In 2005 Portugal's was 6%, while in 2007, Ireland's was 8.4%. Article 3 of the Fiscal Compact would have forced these countries to tighten their fiscal policies to remedy those deficits.
- There is nothing in the Fiscal Compact that affects the democratic right of people to elect governments that seek to either shrink or grow the state radically.
- It is hard to know what will happen if Ireland rejects the Fiscal Compact. It may have no effect and, if Ireland needs a second bailout, it finds the money somewhere. On the other hand, there is a distinct possibility that not all current members of the Eurozone will remain members in 3 to 5 years' time. If other member states perceive Ireland as unwilling to move forward, they may simply decide to move without us and any other current members they perceive as a holding them back.
- Ireland's current borrowings are nearly 200bn. About 40bn of this was borrowed to pay off bank debt, the rest funds government deficits. Even if all bank debts were to be forgiven, Ireland would still have a massive public debt to close.

Prof. Philip Lane, Professor of International Macroeconomics, Trinity College Dublin (TCD)

- The Fiscal Compact is an important part of the reform of European economic governance. It sets out a framework for national fiscal policies that will be implemented according to the detailed guidelines in the Six-Pack measures agreed in 2011.
- The central principle of these reforms is that fiscal policies can be used for macroeconomic stabilisation only if the medium-term fiscal position is sustainable. Countries must maintain their stocks of debt at prudent levels, while ensuring that the cyclically-adjusted (or “structural”) budget is loose to balanced. This is particularly important in the Eurozone, where countries cannot take measures such as devaluation, and where unsustainable fiscal policies in one country can cause damage by contagion to others. Ireland therefore has self-interest in fiscal responsibility throughout the Eurozone.
- There are two main barriers to fiscal responsibility. Governments can face difficulty in running sufficiently large surpluses during growth periods. There may be strong political pressures to lower taxes and increase spending. A second barrier arises from the fact that funding government spending by borrowing often has short-term electoral advantages, though the costs must be met in the long term.
- The Fiscal Compact addresses these by means of domestic laws that require governments to run balanced budgets over the medium term, and to keep public debt down to a safe level of no more than 60% of GDP.
- The balanced budget rule focuses principally on the structural balance. This is the budget balance after taking account of trend factors and cyclical factors. Each country agrees a medium-term objective for this which is updated every three years.
- Estimating the structural balance is complex and subject to revision. Countries should therefore invest in having the analytical capacity to generate the best possible estimate, and to argue their case for it with the Commission. This analysis must be prepared

independently of the government. Countries must also have a correction plan to deal with accumulated errors in the estimated structural balance.

- It will sometimes be appropriate for a country to plan for a structural surplus. The effects of credit booms, rising house prices, growing credit and declining competitiveness can all be countered by a substantial structural surplus, which can cool down an overheated economy. It can also build an extra buffer to absorb the shock of a sudden change in the macroeconomic circumstances.
- Countries with high debt levels can also plan for a structural surplus to help force down their debt ratios. The rule in the Fiscal Compact that requires excessively indebted countries to reduce debt above 60% of GDP by 1/20 per year reflects this. This debt reduction rule is interpreted on a cyclically adjusted basis, to take account of changed circumstances. For Ireland, a credible debt-reduction plan will be essential for a return to the bond markets.
- The Fiscal Compact does not direct how much countries may tax or spend. Its only concern is to ensure that governments' income matches their outgoings over the medium term.
- The Fiscal Compact is a "gateway" reform, paving the way for other measures that rely on responsible fiscal policies. These include access to the ESM bailout fund. Similarly, any future European measures such as eurobonds, bank resolution schemes, sharing of tax revenues or European-level financing of unemployment benefits, will all require prudential fiscal behaviour at national level.
- Ireland, having a small, open economy exposed to large macro-economic fluctuations, should welcome the Fiscal Compact. It is only one element of euro system reform, and Ireland should press for more.

Jim Power, Chief Economist at Friends First Group

- I have always had misgivings about European Monetary Union (EMU) and have abstained or voted against it in every referendum. The accession of Greece to the euro illustrates the tendency to favour politics over economics.
- The euro appeared to work well because it was not tested. The crisis that emerged in 2007 exposed the flaws in bank regulation, financial and fiscal architecture and the lack of a super-finance ministry equivalent to the US Treasury.
- It is clear that the powers in Europe recognise the tremendous disruption to financial systems and enormous costs that would result from collapse of the euro. They have resolved to take whatever unorthodox, aggressive and even reckless measures are needed to save it.
- The Fiscal Compact has been constructed as a political fig leaf to allow the leaders of Germany, France and the Netherlands to tell their electorates that those measures are being taken, but in return the misbehaving members must sign up to fiscal discipline.
- In many ways, the Fiscal Compact changes little. It mirrors many provisions of the Stability and Growth Pact, but adds a compulsory element.
- I will vote in favour of the Fiscal Compact because it will prevent fiscal irresponsibility such as we saw in Ireland in the years leading up to the crisis.
- The bigger question is what happens if we reject the Fiscal Compact. There is no upside to voting No. The Treaty is likely to take effect regardless of how we vote. We will be excluded from assistance from the ESM. The financial markets will see us as having rejected the desire to manage our finances prudently. Bond yields could rise significantly,

at least in the short term. In other words, there are significant downsides to a No vote.
- I accept that the Fiscal Compact is flawed. Structural deficits and how to measure them are problematic. However, it is a step in the right direction towards creating a stable EMU architecture.
- I find it difficult to see how, in the long term, Ireland can remain in the euro without accepting the rules of the club. Where else could we go?
- The Fiscal Compact contains significant levels of flexibility: it does not build in the inflexibility and austerity that its opponents claim it does.
- We are not going to be able to renegotiate this Treaty. We need to debate the future of EMU, and Ireland needs to take part in that debate. Rejecting the Fiscal Compact means losing influence. Unless someone proposes an alternative model for Ireland outside the euro, it would be a grave mistake to reject it.
- Ireland's debt levels are unsustainable. The only way we can reduce our dependence on the financial markets is to get our debt levels down.
- A stimulus package would be likely to have little effect in Ireland. A better approach would be to reduce the cost of doing business, for example by reducing commercial rates. That would allow Irish business to grow and increase employment.
- Rejecting the Fiscal Compact could damage Ireland's attractiveness to foreign direct investment, as it would signal that Ireland wants to behave irresponsibly in its fiscal policies.

Dr. Gavin Barrett, Senior Lecturer at the School of Law, University College Dublin (UCD)

- The Fiscal Compact is a single part of large group of responses to the Eurozone crisis. The economic rules in it actually add little to Ireland's obligations under EU Regulations and proposals. That is not to say that the economic effects of those rules is not significant, but that the addition to rules that already affect Ireland under the Six-Pack, Two-Pac and other EU measure is not large. The rules-based approach to fiscal policy in the Eurozone is not new: that approach has been used since 1993. The difference is that the rules will now be enforced against both large and small states.
- The first key rule in the Fiscal Compact is the debt rule. If a country's public debt exceeds 60% of its GDP, it must reduce the excess by 1/20th each year. That rule is already in place in a 1997 EU Regulation that was amended in December 2011.
- The second key rule is the deficit rule. This requires a country's structural balance to be at its medium-term objective or at least rapidly converging towards it. That rule is in effect a modest tightening of a rule in another 1997 Regulation also amended in December 2011. The Regulation sets a structural deficit target of 1%. That is the same as the target set in Article 3 of the Fiscal Compact for countries whose debt/GDP ratio is significantly below 60%. For those with higher debt/GDP ratios, it is 0.5%, so the difference is not great. It is worth noting that the Fiscal Compact does not require a country to hit the 0.5% target, but only to meet its medium-term objective which must, at least initially, converge on the target rapidly.
- The deficit rule will not apply to Ireland while we are in the EU-IMF bailout programme. Its relevance is further reduced by the effect of the debt rule. Without growth, the only way we will have to reduce the debt rule is to run surpluses. That will tend to prevent the deficit rule affecting us.
- If the rule changes under the Fiscal Compact are so minor, why do we have it? The motive appears to be to give the German public assurance that financial supports that they

pay for will not be used irresponsibly. Another reason is the EU principle of subsidiarity: it is more appropriate to have budget monitoring carried out locally under national legislation than centrally by EU institutions.

- The consequences of voting Yes in the referendum will therefore be relatively minor: substantially the same deficit and debt rules will apply to Ireland.
- If we vote No, then, as said above, substantially the same debt and deficit rules will still apply. The Fiscal Compact will not be blocked if, as seems likely, 12 of the other 16 euro member states ratify it. The major effect of a No vote will be to prevent Ireland having access to ESM funds. That is immensely significant.
- Many economists predict that Ireland will need a second bailout. A No vote could make default more likely because the lack of a bailout fund may undermine private investors' confidence in Irish sovereign debt. There is a possibility that some other state may bail us out, but we do not know on what terms and there are no guarantees.
- The Fiscal Compact does not outlaw Keynesianism or high spending by governments. It requires only that income matches expenditure over the medium term. It may also facilitate financial transfers from the centre by giving reassurance to Germany. It has already permitted the ECB pumping €1 trillion of long-term refinancing into banks. Ireland's debt levels are so high that Keynesian counter-cyclical measures are not a realistic option for us. No lender will give us money to finance such measures.
- Contrary to claims, there is nothing to be gained by vetoing the ESM Treaty. Ensuring ESM access seems to me the strongest argument for a Yes vote. The ESM will be Ireland's main insurance policy against default. A veto would hurt Ireland and fellow member states. It is not certain that an amendment Article 136 of the Treaty on the Functioning of the EU (TFEU) will in fact be required for the ESM. The Irish and Greek bailouts were done under Article 122. It is possible that the ESM may go ahead on that basis, even if the use of that Article is less secure.
- The terms of the Fiscal Compact will not be enshrined in the Constitution. The amendment being voted on in the referendum is in the same form as those used for EU Treaties. It permits ratification of the Treaty and immunises decisions and laws pursuant to it from Constitutional challenge. Ireland can denounce the Fiscal Compact at any time.
- The Fiscal Compact includes provisions on economic co-ordination and governance of the euro area, including a role for national parliaments.
- It is not true to say that the Fiscal Compact is irrelevant to us because Ireland would not be in breach of its terms. Irresponsible budget policies in other countries can have a negative impact on Ireland.
- The role of the European Court of Justice (ECJ) under the Fiscal Compact is justified by reference to Article 273 of the TFEU. That Article gives the ECJ jurisdiction under special agreements between member states. In this regard, it is relevant that the rules in the Fiscal Compact overlap those in the Six-Pack. Case law on Article 273 is not settled, but it seems more likely that the ECJ will accept jurisdiction where the issue affects the application of EU law.

Dr. John O'Brennan, Centre for the Study of Wider Europe, National University of Ireland, Maynooth (NUIM)

- Opinion polls show a majority of 44% to 29% favouring a Yes vote in the referendum on the Fiscal Compact to be held on 31 May 2012, with approximately 29.5% undecided. This is similar to the positions before the Nice and Lisbon Treaty referendums in 2001

and 2008. Historically, the Yes vote tends to be fragile and to decline during referendum campaigns. Proponents of the Fiscal Compact should not be complacent.

- Unfortunately, the precedents are not encouraging. Members of the Oireachtas did not campaign effectively in previous European referendums. My impression is that there is not a sense of seriousness about European issues. There are also funding difficulties for campaigns. Turnout figures have been extremely volatile.
- This leads to the issue of how we address Europe in Ireland. Politicians seem to engage seriously with European affairs only during referendum campaigns. After the first Lisbon Treaty referendum an intention was expressed to change that, but no substantial change has occurred. Government domination of European policy making has, if anything, increased. This is reinforced by the "Union method" favoured by Chancellor Merkel, which prioritises governments and the European Council. That is bad for Ireland and has left the European Commission marginalised.
- The disengagement of Oireachtas members from European issues creates a risk that the referendum debate will be diverted to issues such as household charges and septic tanks. It also creates a risk that the campaign will be framed around the issue of access to ESM funds. The Fiscal Compact is difficult to read and explain, and simply sending a copy to voters is not enough.
- There is an overwhelming imbalance of power between the Oireachtas and Government on European affairs. In contrast, Denmark and Sweden both have mandate systems. Similarly, the German Constitutional Court has ruled that the Bundestag must have a strong voice in relation to budgetary matters, such that future bailout arrangements must be approved by it. It is unfortunate that the Supreme Court was not asked to clarify the relationship of Ireland to Europe in this way, and explain the extent of transfer of sovereignty to Europe since the *Crotty* case in 1987.
- The Oireachtas should use the constitutional convention to argue for a voice in European affairs similar to that enjoyed by other parliaments in Europe. The democratic deficit is a purely Irish problem because political representatives are not holding Executive authorities to account.

Declan Walsh, Lecturer at the Faculty of Law, University College Cork (UCC)

- It is essential that the contents and meaning of the Fiscal Compact are presented and explained to the electorate. There was utter confusion during the first Lisbon Treaty referendum. Research shows both sides raised unrelated issues during the campaign, and nearly half of those who voted No did so because they did not understand the Treaty. In the second referendum the following year, the Referendum Commission did an excellent job of clarifying issues in a neutral way. The role of the Referendum Commission is vital.
- One issue on which there is some confusion is the role of the European Court of Justice (ECJ) under the Fiscal Compact. Article 8 says that the ECJ will decide if a member state has violated the rules on budget targets. The ECJ is sometimes criticised for being an unelected body, but it would be strange for a court to be composed of elected representatives.
- The ECJ was established under the EU Treaties and decides cases where a member state is claimed to have breached EU law. In doing so, it has helped give equal status to Irish women and protected water quality standards in Ireland. Recently it has obtained power in cases brought by the Commission to fine countries that breach EU law. This is helping to stop the practice of countries ignoring the ECJ's judgments.

- Under the Fiscal Compact the ECJ will be able to hear cases where one country sues another following a recommendation by the EU Commission. Concerns have been raised, particularly in the UK, as to whether the EU Treaties give the ECJ jurisdiction to hear cases under the Fiscal Compact. The UK Government has said it does not intend to argue the matter. It must be remembered that the Fiscal Compact provides for a review after five years with the intention of building its provisions into the EU Treaties. Given the time it can take for cases to be concluded in the ECJ, any case brought on this point may be overtaken by events.
- Another area of confusion is the proposed amendment of Article 136 of the Treaty on the Functioning of the EU (TFEU) to allow for the establishment of the European Stability Mechanism (ESM). This is a two-line amendment that allows the EU to set up a stability mechanism for the euro. Some have asked why the Fiscal Compact is being put to the people in a referendum while that amendment is not. The answer is that a procedure under Article 48 of the TFEU allows such amendments if they do not increase the competences of the EU, and the ESM Treaty does not create any such new competences. Here in Ireland, the Supreme Court's decision in the *Crotty* case in 1987 held that a referendum is required on any Treaty that gives the EU new competences. That is not the case here, so no referendum is required.

Jimmy Kelly, Regional Secretary of UNITE

- UNITE and its colleagues in the European Trade Union Confederation call on workers to oppose this Treaty.
- This Treaty addresses the wrong question. The cause of the crisis is not reckless state spending but reckless financial institutions and property speculation. The effects of the crisis can be seen in unemployment, falling incomes and collapsed tax revenue. This Treaty would not have prevented that.
- The Treaty will lead to austerity measures including cuts or tax increases of up to €8bn of over the next few years. It will slow job creation at a time when 14% are unemployed and a further 10% are under-employed. Even by 2017, the IMF estimates unemployment will be 10%. Real wages are falling, which reduces domestic demand and job creation. At the same time, the Government is increasing taxation and households are coping with high levels of debt. The Treaty will also lead to cuts in investment, public services and social protection.
- Austerity does not work. Governments have introduced cuts and tax increases of €25bn, but debt is still rising and the deficit is dangerously high. But now we are being asked to believe that more of the same will improve the situation. A significant number of economists from all political persuasions have pointed out the flaws in this Treaty. It is not credible.
- Ministers are attempting to coerce people into voting Yes by saying that we will not have ESM emergency funding if we do not accept the Treaty. That ignores the fact that Ireland continues to have access to the EFSF fund, and that the heads of the Eurozone governments unequivocally promised that programme countries like Ireland would continue to receive support until they could return to the bond markets. In any event, the ESM would be obliged to assist Ireland, as an Irish default would jeopardise the euro, to protect which the ESM is being established.
- The referendum debate should be open and honest. It should not be undermined by scare tactics. The truth about this Treaty and its cost should be laid before the people. If that is

done, UNITE is confident they will reject it.

Michael Taft, Research Officer with UNITE

- The Treaty will require substantially more austerity in the medium term. Meeting the structural deficit target will require €8bn of taxes or cuts on top of the currently scheduled ones of between €8bn and €9bn. Adding the measures required by the Treaty will cut nominal GDP growth by up to 2%, which will lower employment cut wages and incomes.
- It will also depress the Eurozone, driving down external demand for our products. The German Institute for Macroeconomic and Economic Research estimates that it will cause fiscal consolidation of 0.5% per year until 2016 The Government must provide its estimate of the fiscal correction it considers necessary to meet its structural deficit target. It must show how that will affect the domestic economy and the effect on demand for our exports of fiscal consolidation in the Eurozone.
- The structural deficit is a hypothetical construct. It is based on hypothetical variables and is based on models that economists cannot agree on. The European Commission's model projects that Ireland's economy will be booming in 2014, which is absurd. Even the Government has labelled this model highly uncertain and unrealistic. But the Government is asking the people to give constitutional force to those hypothetical and unrealistic measurements.
- The Treaty will limit the ability of governments to take counter-cyclical measures during downturns. We cannot rely on the provisions for temporary departures from the Treaty for severe economic downturns. Spain was not allowed such an exception even in present circumstances. The Treaty promotes a self-defeating deficit reduction via deflationary adjustments.
- The Treaty will perpetuate instability in the Eurozone, initially by depressing growth during a period of stagnation. This will undermine confidence in our ability to repay debt. It will push us towards a second bailout, rather than away from one. If temporary departures from the Treaty's rules are allowed, it will undermine market confidence in the Treaty rules, similarly to what we saw with the inconclusive bank stress tests, which resulted in the need for €1 trillion of bank funding.
- The Treaty will reduce government debt to unsustainably low levels of around 20% of GDP. This will deprive investors such as pension funds of reliable secure investments and push them towards equities and property, risking the creation of bubbles.
- The Treaty will undermine productive economic growth. To illustrate, consider the growth in Ireland between 1990 and 1997. This was characterised by large structural deficits, increased public expenditure, and reduced tax revenue, none of which the Treaty would allow, but it was a time of real growth. In contrast, in 2007 we had structural balances and even surpluses which would not have breached the Treaty, but we know the result of that period.
- Ireland has guaranteed access to institutional funding under the EFSF until July 2013. Even though Ireland has exceeded its quota under IMF rules, it is in a good position to apply for an exceptional waiver. Furthermore, even the ESM Treaty acknowledges that programme countries such as Ireland may roll over their facilities rather than seek new ones from the ESM. European governments are not going to risk the isolation of a country without funding for fear of the destabilising contagion effect it could have. The question is not whether we will continue to have access to funding, but whether we can avoid a second bailout. The signs are not good.

Prof. Brian Lucey, Associate Professor in Finance, Trinity College Dublin (TCD)

- At present, this state is broke. The question is how we will pay for that fact. While the Government has shown a laudable commitment to good housekeeping in its fiscal policies, the trajectory of debt that this Treaty seeks is too low. We would have to get rid of debt equivalent in value to the entire national debt we held in 2010. This is an enormous task for any state.
- There has been insufficient analysis of the effect of taking an estimated €2 trillion of government bonds out of the European bond markets. Pension funds will be forced towards other asset forms. Because of the inverse relationship between bond prices and bond yields, a bond bubble manifests itself as low interest rates. Low nominal interest rates, together with the ECB's attitude to inflation, will cause a form of fiscal repression through negative real interest rates. There are huge implications for capital flows across Europe as people seek safe havens for pension funds in the likes of Switzerland, Norway or gold. This will undermine the health of pension funds at a time when they are deeply underwater.
- Demand in Europe will be depressed. Even well-run countries like Austria, the Netherlands and Germany will be forced into inappropriate fiscal retrenchment.
- The alert mechanism announced in February this year would have flagged the situation in Ireland from about 2004. However, the fine that could have been imposed would have been between €150 to €200 million. It is not beyond imagining that a Taoiseach could have decided that the fine was a bearable price for continuing the boom. Can our political system be transformed to allow us to maintain the standards of fiscal rectitude required under this Treaty?
- There are major issues about competency, in the technical sense of ability to do a job. Do we have the competency to produce our own independent estimates of Ireland's structural balance, or will we have to accept the European Commission's one? Do we have the negotiation competency to argue our case? Do we have the competency to argue the inevitable re-estimations of structural balances? The evidence so far of our ability to argue technical issues at the European level and to achieve results that are appropriate for Ireland is not encouraging.
- Another issue related to competency deals with the fact that, besides the fiscal policy agreed in this Treaty, a fiscal union must still deal with the questions of transfers and taxation. If we are unwilling to give ground on tax, is it likely that we will get the concessions on transfers that would be appropriate for Ireland in a full fiscal union? After the failure of the European constitution project, it will be a long time before a full fiscal union is on the agenda. The political will is not there.
- It is certain that, when this Treaty impedes French or German growth, those countries will ignore it and perhaps later seek to change it. From their perspective as large states, that would be the right decision. That is what happened to the Stability and Growth Pact and it will happen to this Treaty.
- Alternative funding is potentially available but it is a question of politics as to whether it will be provided if we reject this Treaty. Ireland could well move from being the poster-boys for austerity to facing a hard default, which would be a political disaster for all concerned.

Megan Greene, Senior Economist at Roubini Global Economics

- The present crisis is not a fiscal crisis. It is a balance of payments or growth crisis. This Treaty does nothing to address that. It is not a first step towards a fiscal union. Instead it seeks to impose a German model on all of the other countries in the Eurozone, and institutionalises an asymmetric relationship. That will only push peripheral countries into a deeper recession.
- The Fiscal Compact has already been undermined by Spain's revision of its deficit target. The Netherlands will have a hard time meeting its targets, and Mr. Hollande wants to renegotiate it. There are several questions about its legitimacy. It is completely misguided but I believe Ireland must support it for two reasons.
- The first reason is that Ireland will need a second bailout. If we do not ratify this Treaty, it will still go ahead. We rely entirely on foreign demand for growth, and the prospects for that are dismal.
- Secondly, the Eurozone crisis is back in full force. Greece is likely to pull out of the euro, perhaps in late 2013, with Portugal to follow a year later. Ireland's growth model depends on multinationals using this country as a springboard into the wider EU market. We must therefore protect our relationship with EU countries even more than with the Eurozone. Voting No will jeopardise that relationship.
- The EFSF will lend until July 2013, at which time the ESM will take over. It has been suggested that the IMF will lend to us after that, but there is no chance of the IMF breaking ranks with the troika and lending independently. Without the ESM, Ireland could face a buyer strike when it returns to the markets in 2013 or 2014 and therefore a hard default.

Prof. Gerry Whyte, Associate Professor at the School of Law, Trinity College Dublin (TCD)

- The Treaty requires signatory states to adopt balanced budget laws that are "of binding force and permanent character, preferably constitutional". The amendment being put to the referendum proposes that laws enacted, acts done or measures adopted by the State pursuant to the Treaty should be protected from Constitutional challenge. If it is intended that the balanced budget laws should be of an ordinary legislative character, but protected from Constitutional challenge, that wording will be sufficient. However, if it is intended to introduce a budgetary rule into the Constitution, the amendment will not have that effect or permit it. To introduce such a rule, a further Constitutional amendment would be necessary. It is obviously a political decision as to whether the Government would prefer a purely legislative budget law or one of Constitutional status.
- If the amendment is passed and the Oireachtas enacts new budget legislation, it would also be open to the Oireachtas to repeal that legislation. There would be no consequences in domestic law but there would be in international law. A case in the European Court of Justice could be brought under Article 8 of the Treaty by the European Commission or another signatory state. The court could ultimately impose a financial sanction for breach of the Treaty. As regards withdrawing from the Treaty, I am not an expert in international law and could not say that a subsequent referendum would affect Ireland's withdrawal. There is no explicit provision in the Treaty for withdrawal or reservations.

Ian Talbot, Chief Executive of Chambers Ireland

- Confidence is essential for businesses, citizens and multinationals to invest, create jobs, and overcome the hardship that has been caused by the downturn. Chambers Ireland, representing SMEs, retailer and multinationals in over 50 Chambers of Commerce around Ireland, believes a Yes vote will help create the confidence.
- The current crisis in Ireland was caused by weak financial regulation and failure to deal with economic imbalances such as loss of competitiveness and the over-reliance on construction. Better monitoring of decisions - such as would have happened under the alert mechanisms in the Six-Pack regulations - would have helped to slow expenditure and loss of competitiveness in the 2000s.
- This Treaty contains little that is new. It gives stronger legal foundations to the Stability and Growth Pact. It is also flexible, as can be seen in the exceptions to the structural deficit rule for severe economic downturns or structural reforms.
- Access to the ESM emergency funding facility is a vital safety net for when we leave the EU/IMF programme. Without it we will have less choice and more uncertainty, which will undermine confidence in Ireland.
- The terms of the Treaty are unlikely to have major implications for Ireland in the medium to long term. Reducing our debt to 60% of GDP and restoring economic sovereignty will remain the priorities of Government. In the short term, fiscal policy will be determined by the EU/IMF rules or by the need to regain access to the bond markets. It follows that the Treaty imposes no additional austerity. It will simply ensure that the Government secures our economic sovereignty and avoid pro-cyclical policies.
- Confidence remains the key to creating conditions for economic recovery. Reducing the risk of another economic crisis is essential to that. On balance, the need for confidence favours a Yes vote.

Prof. Terrence McDonough, Department of Economics, National University of Ireland, Galway (NUIG)

- The argument that the people should vote Yes because ESM access will be essential does not take account of the other options that will be available to Ireland. Firstly, the ECB will not allow a disorderly Irish default. Restabilising the Eurozone would cost far more than a second Irish bailout. Secondly, we may be able to borrow from the IMF. Thirdly, we could set about closing the budget deficit, which will be considerably smaller in 2014 than it is now: it would be painful, but our tax take is low by EU standards and there are options in terms of wealth and property taxes. A fourth option is to restructure our debt, such as the Anglo promissory notes. A fifth is to use innovative debt instruments that eliminate the risk premium that makes the bond markets too expensive for us now. Some or all of these could provide an alternative to the ESM.
- Are there good arguments for voting Yes? Some argue that it would be the safe and conservative thing to do, but this Treaty is a dangerous experiment. Countries are not like households: in hard times, they must spend to recover, not save.
- A second argument is that the Fiscal Compact replicates the provisions of the Six-Pack, which applies to us anyway. However, the Six-Pack is new and untested. Moreover, the 0.5% structural deficit rule and the enforcement mechanisms in the Treaty are considerably more stringent.
- A third argument is that the Treaty will create stability for Europe. The European

Commission has estimated that meeting structural deficit targets in 2013 would require €166bn in taxes and cuts across Europe. If anything, it would push Europe over the edge.
- A fourth argument is that the Treaty will create confidence in Ireland and Europe. One does not invest in countries that have lost the ability to stimulate their way out of recessions. The Treaty will undermine confidence.
- Under the Treaty, Ireland will be forced to run primary surpluses for years, bleeding steam from the economy. If we don't, control of our economy will pass to the European Commission and the European Court of Justice.
- A real stability pact for recovery would require debt to be financed by eurobonds. The ECB would be able to buy them to finance deficits and control interest rates. A portion of Irish debt would be written off or paid by the ECB. The EU would have a tax-financed budget to pay for transfers to under-performing regions. Lastly, trade deficits would be corrected by reforms in trade surplus regions.
- We entered the euro as a monetary union without a fiscal union to support it. A similar argument was made then as now, that Ireland should not miss out on the chance to keep up with Europe. We should not make the same mistake now.
- This Treaty is not a first step to eurobonds. It is intended to make eurobonds unnecessary. This is a Treaty for permanent austerity and should be rejected.

Dr. Andrew Storey, School of Politics & International Relations, University College Dublin (UCD)

- Leading economists including Paul Krugman, Joseph Stiglitz and Nouriel Roubini have criticised this Treaty in the strongest terms as having misdiagnosed the economic crisis. That misdiagnosis is the reason for the growing opposition to it across Europe.
- There have been many high-profile voices of opposition. Mr. Hollande in France wants to renegotiate this Treaty. A former German Justice Minister is bringing a constitutional challenge. Similar high-profile criticism and opposition is heard from politicians and trade unions in the Netherlands, Sweden and Portugal.
- The Treaty will transfer excessive power from national parliaments to the European Commission without oversight or democratic control. Professor Heikki Patomäki in Finland describes the Treaty as hostile to basic principles of democracy and basic norms of member states' own constitutions.
- The democratic issue is fundamental. Chancellor Merkel has described the Treaty provision as “binding forever” and eternally valid. In a democracy it should always be possible to change laws, but the Treaty has no provision for amendment or termination.
- Regardless of one's views on the appropriateness of the fiscal rules in the Treaty, giving them permanent and unchangeable status is debilitating to democracy. It is better to be able to persuade than to have the rules rigged in one's favour.

Submissions

Several submissions were received from members of the public and interested groups. These are available at the Committee webpage, available at www.euaffairs.ie.

Below are summaries of the submissions received from Dr. John O'Brennan and Prof. Seán Ó Rian from NUI Maynooth, the Workers Party and Elmar Brok MEP.

Written submissions were also received from Paul Murphy MEP and European Movement Ireland which have been reflected in the summaries on pages 26 and 38 respectively.

Dr. John O'Brennan and Prof. Seán Ó Rian, NUI Maynooth

Ireland (and Europe) in Crisis: The Fiscal Compact, the Referendum and the Future of European Integration.

Since the beginning of the financial crisis, Europe has adopted a consistent policy of building a firewall around the financial system. This involves providing funding for banks and placing responsibility for debt onto states and their citizens. This has been accompanied by austerity policies aimed at reducing state debts and deficits, with the intention of reducing the threat to the euro posed by the increasing yields on sovereign debt. A pan-European bank resolution regime has been avoided; instead the focus has been on protecting the welfare of banks at the expense of states and taxpayers.

The approach adopted in Europe contrasts with the more Keynesian approach employed in the USA and the UK, where quantitative easing has been used to stimulate the economies.

While there is a long tradition of fiscal discipline in continental and Nordic states, it was accompanied there by a focus on prudent egalitarian productive investment and strong social protection. However, the Fiscal Compact seeks to resolve the crisis without the social element that was central to the success of the traditionally fiscally disciplined states.

This strategy poses problems. The pressure it places on government finances, together with the reluctance of capital markets to lend to peripheral states, pose a threat to the euro. The policy of austerity adopted since 2008 has not worked and is making the crisis deeper. The rules in the Fiscal Compact will tend to make Keynesian counter-cyclical measures illegal. There is perception that the strategy is to quarantine the stronger European states from infection by the weaker ones. The lack of strategic public investment worsens the problem caused by the uneven state of development across the EU. The enormous liquidity supports given to banks are not being directed into investments that generate growth and employment.
The EU has institutions that could be mobilised to address this deficit in investment. The Commission once played a significant role in addressing the imbalance between smaller states and large ones. However, its role is increasingly marginalised in favour of the Council. The Commission and the ECB are assuming the role of technocratic enforcers. The successful European economies employed a diverse network of institutions to balance social pressures and resolve policy differences. In contrast, the Fiscal Compact tends towards centralisation and technocracy, and substitutes rigid and obscure rules for political construction of social compacts. In many states, particularly the peripheral ones, there has been an erosion of trust

in European institutions.

The referendum debate is an opportunity for Ireland to deepen its institutional engagement with European debates and policies. Two institutions that could be used to strengthen the quality of Irish democratic involvement with Europe are the Supreme Court and the Oireachtas.

European integration has been characterised in Ireland by a redistribution of power and functions. A European or supranational level of decision making has overlaid the domestic ones, and the constitutional role of the Oireachtas has been hollowed out.

An ironic consequence of the Supreme Court's 1987 judgment in the *Crotty* case is that all changes to the EU treaties must be approved by referendum. This has led to the Supreme Court having no say on the cumulative effect of EU integration and the transfers of sovereignty to Brussels.

If approved, the Fiscal Compact will create a permanent and far-reaching EU oversight of Irish fiscal policy, with automatic sanctions that could cause long periods of stagnation. This could tie the hands of future governments, preventing them from implementing pro-growth measures.

A Supreme Court judgment on the Fiscal Compact would throw light on these arrangements and determine if they were compatible with the principles of national sovereignty in the Constitution. It might also define the parameters and long-term significance of Ireland's relationship with the EU, including the relative balance of power between Ireland's political institutions in relation to European affairs.

There is an overwhelming imbalance of power between the Government and the Oireachtas. This contrasts with the situation in, for example Denmark, where the EU Affairs Committee may direct the position to be taken by its government in EU affairs. Similarly, the German Constitutional Court has vindicated the Bundestag's constitutional right to determine budget policy, forcing the German Government to seek parliamentary approval for any future EU bailouts.

The German case is an exception to a trend of marginalising the oversight and scrutiny functions of national parliaments. The process of EU integration has been characterised by a shift of power in relation to EU policy away from parliaments and towards governments and bureaucrats.

Under the Irish Constitution, the Oireachtas has in theory important roles in relation to foreign policy. These include a right to approve international treaties signed by the Government and to veto any that involve sending public funds or changes to Irish law. The Constitution also gives the Oireachtas power to question and hold Ministers to account, and to examine policy, including foreign policy, in parliamentary committees. In practice however, the Government completely dominates the agenda and decisions of both Houses, to the extent that neither can be seen as an active participant in formulating laws or policy. Due to clientelism and strict party discipline, the Oireachtas fails to fulfil its Constitutional mandate of holding the Government to account. Parliamentary representatives are discouraged from contributing to foreign or EU policy and are often uncomfortable taking part in debates on it.

EU membership has reinforced these failings. Policy in this area is dominated by the Departments of Finance, Foreign Affairs and the Taoiseach. A process described as "europeanisation" has led to an erosion of parliamentary control over EU governments. This arises from both the structure of the EU itself and the political dynamics of the EU policy process. A shift of power towards the European Council marks a trend towards what has been called "intergovernmentalism".

Despite some uncertainties and limitations, Irish law and the Lisbon Treaty give the Oireachtas an oversight role in respect of EU legislation and policy. These include a formal right to scrutinise Council and Commission documents and rights to object and take cases to the European Court of Justice where proposals contravene the principle of subsidiarity. There are also provisions for deepening inter-parliamentary co-operation between national parliaments and the European Parliament.

The Workers Party

Two questions must be asked about this Treaty: Are the economic norms and procedures in it worthy of support? Is it sensible to cement those norms and procedures into the Constitution? The Workers' Party answer to both questions is No, and we will oppose this Treaty in the referendum.

The purpose of this Treaty is to save the euro. Economically, it cannot succeed. It addresses the wrong question. The true cause of the crisis in capitalism is the collapse of the banking and financial services industries, the socialisation of bank debt, and the protection of insolvent banks. This arises from years of bank deregulation and the boom-bust cycles that is inherent in capitalism.

The structural balance rule in Article 3 ties the Government's hands to a very tight budgetary rule not just for the duration of the crisis, but forever. The effect of this provision has been described as outlawing Keynesian economic policies, and it negates the idea of a social Europe and undermines the Charter on Fundamental Rights. The European Commission has estimated that reducing structural deficits to their target levels in 2013 would require €166bn of taxes and cuts across Europe. This would push Europe over the edge.

Article 5, on excessive debt procedures, and Article 6, requiring prior notification of debt issuance plans, further tie the Government's hands on economic policy.

Article 7 requires States to support European Commission proposals for states that are in excessive debt procedures. This belittles countries in bailouts. It undermines the right to dissent from the Commission's views and is profoundly undemocratic.

Article 9 commits States to supporting balanced budgets and protecting the euro at the expense of wages, working conditions and welfare.

Article 11 requires States to co-ordinate and give prior notice of economic policy reforms. This emphasises the “one-size-fits-all” mentality in the EU and prevents countries from acting on their own initiative.

Article 8 gives the European Court of Justice the power to rule on and fine countries that breach the agreed programme. This is a further constraint on democratic decision making.

Prof. Terrence McDonough has criticised the idea of forcing balanced budgets on countries that are in the depth of recession as “simply counter-productive”, because doing so causes their economies to shrink further. He calls this Treaty “a dangerous experiment, completely without historical precedent”.

The Government has moved its arguments from the supposed positive merits of this Treaty to scare tactics. The most common argument is that Ireland would face disaster if, by rejecting this Treaty, we were deprived of access to the ESM. But only recently the same Ministers were assuring us that Ireland would be able to return to the bond markets by 2014. Which story is true?

Ireland does not have to depend on the ESM. We have access to the EFSF until July 2013. Our current bailout deal was motivated not by any consideration of Ireland's interests but a desire to save the euro and French and German banks. An Irish default would undermine those objectives.

The ESM Treaty is being introduced by stealth. The existence and conditions in that Treaty are being promoted as the reason for changing our Constitution: that is blackmail. Ireland is in a position to veto the ESM Treaty, which will require support of all 27 EU member states. There is also a legal argument that, if the people reject the Fiscal Compact, the Government should not have the power to ratify the ESM Treaty.

It is bad law to add detailed budgetary rules to the Constitution. The Constitution is supposed to set out broad parameters within which the State functions. It is not designed to be changed easily or to serve as an economic manual. If we pass this amendment, Ireland will, unlike other European countries, lose the ability to change the Treaty rules by parliamentary processes.

This Treaty has consequences for democracy. The Government did not want to put it to a referendum. They should publish the advice of the Attorney General to make clear to the people exactly how much of Ireland's sovereignty is being ceded to Europe under this Treaty, particularly under Articles 5 - 11.

Our democracy is in danger. The EU has subordinated democracy in Italy and Greece to the interests of the new elite.

The Workers' Party says there are alternatives. Ireland can rely on the EFSF for funding, if required. The Government should re-negotiate our debt including the Anglo promissory notes. We should reform our tax system to increase income tax on income over €120,000, impose a wealth tax of 0.06%, and end expensive tax avoidance schemes. We should develop our state-owned companies and take control of our natural resources of oil and gas.

Elmar Brok MEP

On May 31 the Irish people face a crucial decision. The ratification of the fiscal compact in not only important for the future of Ireland, but for the future of the Eurozone as a whole. At

the same time, I am optimistic that the Irish people will approve the Treaty, because in the end it does not put any new restrictions on Ireland. This Treaty does not diminish Ireland's sovereignty, but solidifies the rules that already exist and which Ireland has already accepted and fulfilled. It makes sure that Member States include the adherence to the Maastricht criteria into their national constitutions. If Member States will nonetheless violate the Maastricht criteria, the fiscal compact enables the EU to enforce the rules more effectively.

The stricter enforcement rules are not problematic for Ireland, because after having made great efforts, Ireland has returned their public finances to a sustainable path and is now better than the European deficit rules. Instead, the fiscal compact will be insurance for Ireland that other countries will respect the rules as well. We have to keep in mind that in Ireland, the banking sector, and not the structural problems that Greece and Portugal have, were the cause of the deficit problems.

In these times of economic uncertainties, the fiscal compact is one part of a bigger concept to restore growth and competiveness in Europe. It will make sure that its signatories have a closely coordinated economic, fiscal and budgetary policy that will prevent similar crises in the future. At the same time, it complements the already adopted "Six Pack", the reinforcement of the stability and growth pact, and the emergency measures of the ECB and EFSF. Now we need to support these steps with a concrete plan to foster growth in the EU. The recent proposals of the European Commission to restore growth in Greece and to create opportunities for the youth are a good starting point.

The fiscal compact is a crucial element in this overall plan to regain the strength of Ireland and the EU as a whole. While this requires a lot of effort in the short term, it will give Europe the advantage over Asia and the US in the long term.

Appendix 1: Membership of the Sub-Committee

Membership of the Sub-Committee


Dominic Hannigan T.D (LAB) – Chairman


Paschal Donohoe TD (FG) (Vice-Chairman)


Timmy Dooley TD (FF)


Bernard J. Durkan (FG)


Colm Keaveney TD (LAB)


Seán Kyne TD (FG)


Pádraig MacLochlainn TD (SF)


Joe O’Reilly TD (FG)


Mick Wallace TD (IND)


Senator Colm Burke (FG)


Senator Fidelma Healy Eames (FG)


Senator James Heffernan (LAB)


Senator Terry Leyden (FF)


Senator Kathryn Reilly (SF)

Appendix 2: Orders of Reference

Sub-Committee - Orders of Reference

At its meeting of 22 March 2012, the Committee resolved -

(1) That a sub-Committee of the Joint Committee on European Union Affairs, which shall be called the Sub-Committee on the Referendum on the Intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, be established:

- to consider the Intergovernmental Treaty on Stability, Coordination and Governance, the fiscal stabilisation measures that have preceded the Treaty and various other issues relating to Europe’s response to the Eurozone Crisis

- to host an extensive informed and balanced debate on the Treaty and the referendum’s implications for both Ireland and the European Union

(2) In preparing its report, the Sub-Committee shall have regard to discussions on the Treaty held by the Joint Committee.

(3) The Sub-Committee shall have the powers defined in Standing Order 83(1), (2) and (4) to (9) inclusive.

(4) Each member of the Joint Committee shall be a member of the Sub-Committee

(5) The Minister for Foreign Affairs and Trade (or a Minister or Minister of State nominated in his or her stead) shall be an ex officio member of the Sub-Committee and shall be entitled to attend and to vote.

(6) The Chairman of the Sub-Committee shall be the Chairman of the Joint Committee.

(7) Members of the European Parliament elected from constituencies in Ireland may attend meetings of the Sub-Committee and may take part in proceedings without having a right to vote or to move motions and amendments.

(8) The Sub-Committee shall lay its report before both Houses of the Oireachtas not later than 31 May 2012, whereupon the sub-Committee shall dissolve.

Joint Committee on European Union Affairs- Orders of Reference

Dáil Éireann on 8 June 2011 ordered:

"(1) Go gceapfar Roghchoiste, dá ngairfear an Roghchoiste um Ghnóthaí an Aontais Eorpaigh, ar a mbeidh 9 gcomhalta de Dháil Éireann, chun breithniú a dhéanamh ar cibé nithe a éiríonn—

(a) as ballraíocht na hÉireann san Aontas Eorpach agus

(b) as Éirinn do chloí leis an gConradh ar an Aontas Eorpach agus leis an gConradh ar Fheidhmiú an Aontais Eorpaigh

a roghnóidh sé agus nach bhfuil tarchurtha chuig aon Choiste eile.

(2) Gan dochar do ghinearáltacht mhír (1), breithneoidh an Coiste—

(a) cibé Billí a bpléann an Roinn Gnóthaí Eachtracha agus Trádála leis an dlí reachtach ina leith,

(b) cibé tograí a bheidh in aon tairiscint, lena n-áirítear aon tairiscint de réir bhrí Bhuan-Ordú 164, agus

(c) cibé nithe eile,

a tharchuirfidh an Dáil chuige.

(3) Beidh an tAire Gnóthaí Eachtracha agus Trádála (nó comhalta den Rialtas nó Aire Stáit a ainmneofar chun gníomhú ina áit nó ina háit chun na críche sin), ina chomhalta nó ina comhalta ex officio den Roghchoiste chun na nithe atá leagtha

(1) That a Select Committee, which shall be called the Select Committee on European Union Affairs, consisting of nine members of Dáil Éireann, be appointed to consider such matters arising from—

(a) Ireland's membership of the European Union, and

(b) Ireland's adherence to the Treaty on European Union and the Treaty on the Functioning of the European Union,

as it may select and which are not referred to any other Committee.

(2) Without prejudice to the generality of paragraph (1), the Select Committee shall consider such—

(a) Bills the statute law in respect of which is dealt with by the Department of Foreign Affairs and Trade,

(b) proposals contained in any motion, including any motion within the meaning of Standing Order 164, and

(c) other matters,

as shall be referred to it by the Dáil.

(3) The Minister for Foreign Affairs and Trade (or a member of the Government or Minister of State nominated to act in his or her stead for that purpose) shall be an ex officio member of the Select Committee for the purpose of

amach i mír (2)(a) agus (b) a bhreithniú agus beidh sé nó sí i dteideal vótáil in imeachtaí an Roghchoiste.

(4) Beidh ag an gCoiste na cumhachtaí a mhínítear i mBuan-Ordú 83(1), (2) agus (3).

(5) Déanfar an Roghchoiste a chomhcheangal le Roghchoiste arna cheapadh ag Seanad Éireann chun bheith ina Chomhchoiste um Ghnóthaí an Aontais Eorpaigh, agus, gan dochar do ghinearáltacht mhír (1), déanfaidh an Roghchoiste an méid seo a leanas a bhreithniú—

(a) doiciméid phleanála straitéiseacha Choimisiún AE lena n-áirítear Clár Oibre an Choimisiúin,

(b) forbairtí beartais tras-earnála ag leibhéal an Aontais Eorpaigh,

(c) nithe a liostaítear lena mbreithniú ar an gclár gnó i gcomhair cruinnithe de Chomhairle Gnóthaí Ginearálta na nAirí agus toradh cruinnithe den sórt sin.

(d) cibé rialacháin faoi Achtanna na gComhphobal Eorpach, 1972 go 2009 agus ionstraimí eile arna ndéanamh faoi reacht agus is gá de dhroim na n-oibleagáidí a ghabhann le ballraíocht san Aontas Eorpach a roghnóidh an Coiste,

(e) fógraí arna dtarchur ag an Dáil faoi Bhuan-Ordú 106(1)(a),

(f) fógraí i dtaobh tograí chun na Conarthaí a leasú a fuarthas ón gComhairle Eorpach de bhun Airteagal 48.2 den Chonradh ar an

consideration of the matters outlined at paragraph (2)(a) and (b) and shall be entitled to vote in Select Committee proceedings.

(4) The Select Committee shall have the powers defined in Standing Order 83(1), (2) and (3).

(5) The Select Committee shall be joined with a Select Committee appointed by Seanad Éireann, to form the Joint Committee on European Union Affairs, which, without prejudice to the generality of paragraph (1), shall consider—

(a) the EU Commission’s strategic planning documents including the Commission Work Programme,

(b) cross-sectoral policy developments at European Union level,

(c) matters listed for consideration on the agenda for meetings of the General Affairs Council of Ministers and the outcome of such meetings,

(d) such regulations under the European Communities Acts 1972 to 2009 and other instruments made under statute and necessitated by the obligations of membership of the European Union as the Committee may select,

(e) notifications referred by the Dáil under Standing Order 106(1)(a),

(f) notifications of proposals for the amendment of the Treaties received from the European Council pursuant to Article 48.2 of the Treaty on

Aontas Eorpach,

(g) fógraí i dtaobh iarratas ar bhallraíocht san Aontas Eorpach a fuarthas ón gComhairle Eorpach de bhun Airteagal 49 den Chonradh ar an Aontas Eorpach, agus

(h) cibé nithe eile a tharchuirfidh an Dáil chuige ó am go ham.

(6) Tabharfaidh an Comhchoiste tuarascáil do dhá Theach an Oireachtais ar oibriú Acht an Aontais Eorpaigh (Grinnscrúdú), 2002.

(7) Beidh ag an gComhchoiste na cumhachtaí a mhínítear i mBuan-Orduithe 83 (seachas mír (2A) den chéanna), 106(1)(a) agus 107.

(8) Beidh ag an gComhchoiste an chumhacht chun moltaí a dhéanamh chun an Aire Gnóthaí Eachtracha agus Trádála (nó chun Aire Stáit) i dtaobh nithe a bhaineann leis an Aontas Eorpach.

(9) Féadfaidh na daoine seo a leanas freastal ar chruinnithe den Chomhchoiste agus páirt a ghlacadh in imeachtaí gan ceart vótála a bheith acu ná ceart tairiscintí a dhéanamh ná leasuithe a thairiscint:

(a) Comhaltaí de Pharlaimint na hEorpa arna dtoghadh ó thoghcheantair in Éirinn, lena n-áirítear Tuaisceart Éireann,

(b) Comhaltaí de thoscaireacht na hÉireann chuig Tionól Parlaiminteach Chomhairle na hEorpa, agus

(c) ar chuireadh a fháil ón gCoiste, Comhaltaí eile de Pharlaimint na

European Union,

(g) notifications of applications for membership of the European Union received from the European Council pursuant to Article 49 of the Treaty on European Union, and

(h) such other matters as may be referred to it by the Dáil from time to time.

(6) The Joint Committee shall report to both Houses of the Oireachtas on the operation of the European Union (Scrutiny) Act 2002.

(7) The Joint Committee shall have the powers defined in Standing Orders 83 (other than paragraph (2A) thereof), 105, 106(1)(a) and 107.

(8) The Joint Committee shall have the power to make recommendations to the Minister for Foreign Affairs and Trade (or Minister of State) on European Union matters.

(9) The following may attend meetings of the Joint Committee and take part in proceedings without having a right to vote or to move motions and amendments:

(a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,

(b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and

(c) at the invitation of the Committee, other Members of the European

hEorpa.

(10) Déanfaidh an Comhchoiste ionadaíocht do dhá Theach an Oireachtais ag Comhdháil na gCoistí um Ghnóthaí Comhphobail agus Eorpacha de chuid Pharlaimintí an Aontais Eorpaigh (COSAC) agus tabharfaidh sé tuarascáil ar an gcéanna do dhá Theach an Oireachtais.

(11) Beidh Cathaoirleach an Roghchoiste, ar comhalta de Dháil Éireann a bheidh ann nó inti, ina Chathaoirleach nó ina Cathaoirleach ar an gComhchoiste freisin.

Parliament.

(10) The Joint Committee shall represent both Houses of the Oireachtas at the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) and shall report to both Houses of the Oireachtas thereon.

(11) The Chairman of the Joint Committee, who shall be a member of Dáil Éireann, shall also be Chairman of the Select Committee."

Seanad Éireann on 16 June 2011 ordered:

"(1) Go gceapfar Roghchoiste, dá ngairfear an Roghchoiste um Ghnóthaí an Aontais Eorpaigh, ar a mbeidh 5 chomhalta de Sheanad Éireann, chun breithniú a dhéanamh ar cibé nithe a éiríonn—

(a) as ballraíocht na hÉireann san Aontas Eorpach agus

(b) as Éirinn do chloí leis an gConradh ar an Aontas Eorpach agus leis an gConradh ar Fheidhmiú an Aontais Eorpaigh

a roghnóidh sé agus nach bhfuil tarchurtha chuig aon Choiste eile.

(2) Déanfar an Roghchoiste a chomhcheangal le Roghchoiste arna cheapadh ag Dáil Éireann chun bheith ina Chomhchoiste um Ghnóthaí an Aontais Eorpaigh, agus, gan dochar do ghinearáltacht mhír (1), déanfaidh an Comhchoiste an méid seo a leanas a bhreithniú—

(1) That a Select Committee, which shall be called the Select Committee on European Union Affairs, consisting of 5 members of Seanad Éireann, be appointed to consider such matters arising from—

(a) Ireland's membership of the European Union, and

(b) Ireland's adherence to the Treaty on European Union and the Treaty on the Functioning of the European Union,

as it may select and which are not referred to any other Committee.

(2) The Select Committee shall be joined with a Select Committee appointed by Dáil Éireann, to form the Joint Committee on European Union Affairs, which, without prejudice to the generality of paragraph (1), shall consider—

(a) doiciméid phleanála straitéiseacha Choimisiún AE lena n-áirítear Clár Oibre an Choimisiúin,	(a) the EU Commission's strategic planning documents including the Commission Work Programme,
(b) forbairtí beartais tras-earnála ag leibhéal an Aontais Eorpaigh,	(b) cross-sectoral policy developments at European Union level,
(c) nithe a liostaítear lena mbreithniú ar an gclár gnó i gcomhair cruinnithe de Chomhairle Gnóthaí Ginearálta na nAirí agus toradh cruinnithe den sórt sin.	(c) matters listed for consideration on the agenda for meetings of the General Affairs Council of Ministers and the outcome of such meetings,
(d) cibé rialacháin faoi Achtanna na gComhphobal Eorpach, 1972 go 2009 agus ionstraimí eile arna ndéanamh faoi reacht agus is gá de dhroim na n-oibleagáidí a ghabhann le ballraíocht san Aontas Eorpach a roghnóidh an Coiste,	(d) such regulations under the European Communities Acts 1972 to 2009 and other instruments made under statute and necessitated by the obligations of membership of the EuropeanUnion as the Committee may select,
(e) fógraí arna dtarchur ag an Seanad faoi Bhuan-Ordú 102(1)(a),	(e) notifications referred by the Seanad under Standing Order 102 (1)(a),
(f) fógraí i dtaobh tograí chun na Conarthaí a leasú a fuarthas ón gComhairle Eorpach de bhun Airteagal 48.2 den Chonradh ar an Aontas Eorpach,	(f) notifications of proposals for the amendment of the Treaties received from the European Council pursuant to Article 48.2 of the Treaty on European Union,
(g) fógraí i dtaobh iarratas ar bhallraíocht san Aontas Eorpach a fuarthas ón gComhairle Eorpach de bhun Airteagal 49 den Chonradh ar an Aontas Eorpach, agus	(g) notifications of applications for membership of the European Union received from the European Council pursuant to Article 49 of the Treaty on European Union, and
(h) cibé nithe eile a tharchuirfidh an Seanad chuige ó am go ham.	(h) such other matters as may be referred to it by the Seanad from time to time.
(3) Tabharfaidh an Comhchoiste tuarascáil do dhá Theach an Oireachtais ar oibriú Acht an Aontais Eorpaigh (Grinnscrúdú), 2002.	(3) The Joint Committee shall report to both Houses of the Oireachtas on the operation of the European Union (Scrutiny) Act 2002.

(4) Beidh ag an gComhchoiste na cumhachtaí a mhínítear i mBuan-Orduithe 71 (seachas mír (2A) den chéanna), 101, 102(1)(a) agus 103.

(5) Beidh ag an gComhchoiste an chumhacht chun moltaí a dhéanamh chun an Aire Gnóthaí Eachtracha agus Trádála (nó chun Aire Stáit) i dtaobh nithe a bhaineann leis an Aontas Eorpach.

(6) Féadfaidh na daoine seo a leanas freastal ar chruinnithe den Chomhchoiste agus páirt a ghlacadh in imeachtaí gan ceart vótála a bheith acu ná ceart tairiscintí a dhéanamh ná leasuithe a thairiscint:

(a) Comhaltaí de Pharlaimint na hEorpa arna dtoghadh ó thoghlaigh in Éirinn, lena n-áirítear Tuaisceart Éireann,

(b) Comhaltaí de thoscaireacht na hÉireann chuig Tionól Parlaiminteach Chomhairle na hEorpa, agus

(c) ar chuireadh a fháil ón gCoiste, Comhaltaí eile de Pharlaimint na hEorpa.

(7) Déanfaidh an Comhchoiste ionadaíocht do dhá Theach an Oireachtais ag Comhdháil na gCoistí um Ghnóthaí Comhphobail agus Eorpacha de chuid Pharlaimintí an Aontais Eorpaigh (COSAC) agus tabharfaidh sé tuarascáil ar an gcéanna do dhá Theach an Oireachtais.

(8) Beidh Cathaoirleach an Chomhchoiste ina chomhalta nó ina comhalta de Dháil Éireann.

(4) The Joint Committee shall have the powers defined in Standing Orders 71 (other than paragraph (2A) thereof), 101, 102(1)(a) and 103.

(5) The Joint Committee shall have the power to make recommendations to the Minister for Foreign Affairs and Trade (or Minister of State) on European Union matters.

(6) The following may attend meetings of the Joint Committee and take part in proceedings without having a right to vote or to move motions and amendments:

(a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,

(b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and

(c) at the invitation of the Committee, other Members of the European Parliament.

(7) The Joint Committee shall represent both Houses of the Oireachtas at the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) and shall report to both Houses of the Oireachtas thereon.

(8) The Chairman of the Joint Committee shall be a member of Dáil Éireann.

Appendix 3: Schedule of Meetings

Date	**Witnesses**	**Details**
2 February 2012	Dr. Alan Ahearne, National University of Ireland, Galway Tom McDonnell, TASC Prof. John McHale, Fiscal Advisory Council and National University of Ireland, Galway Prof. Karl Whelan, University College Dublin	Pre Sub Committee Meeting, *Session 1*
22 February 2012	Michael Link, Minister of State, German Federal Foreign Office	Pre Sub Committee Meeting, *Session 2*
23 February 2012	Seamus Coffey, University College Cork Dr. Karen Devine, Dublin City University Paul Sweeney, Irish Congress of Trade Unions	Pre Sub Committee Meeting, *Session 3*
1 March 2012	H. E. Javier Garrigues, Ambassador of Spain H. E. Dr. Eckhard Lübkemeier, Ambassador of Germany H. E. Emmanuelle d'Achon, Ambassador of France	Pre Sub Committee Meeting, *Session 4*
7 March 2012	Delegation from the Swedish Riksdag	Pre Sub Committee Meeting, *Session 5*
15 March 2012	Prof. Gerry Boyle, Teagasc, James Doorley, National Youth Council of Ireland Dr Seán Healy, Social Justice Ireland Marie Sherlock, SIPTU	Pre Sub Committee Meeting *Session 6*

3 April 2012	H. E. Dr Tomas Kafka, Ambassador of the Czech Republic H. E. Diana Zagourianou-Prifti, Ambassador of Greece H. E. Marcin Nawrot, Ambassador of Poland H. E. Niels Pultz, Ambassador of Denmark	Module 1, *Session 1*
3 April 2012	Paul Murphy MEP Nessa Childers MEP Marian Harkin MEP Phil Prendergast MEP William Cash MP, Chairman of the European Scrutiny Committee of the House of Commons	Module 1, *Session 2*
4 April 2012	Sharon Bowles MEP, Chair of the Economic and Monetary Affairs Committee of the European Parliament Lord Lyndon Harrison, Chair of the House of Lords Sub-Committee on Economic and Financial Affairs and International Trade	Module 1, *Session 3*
4 April 2012	Dan O’Brien, The Irish Times Prof. Philip Lane, Trinity College Dublin Jim Power, Chief Economist at Friends First Group	Module 3, *Session 1*
4 April 2012	Dr. Gavin Barrett, University College Dublin Dr. John O’Brennan, National University of Ireland, Maynooth Declan Walsh, University College Cork	Module 3, *Session 2*

5 April 2012	John Bryan, Irish Farmers Association Brendan Bruen, Financial Services Ireland Brendan Butler, Irish Business and Employers Confederation (IBEC) Mark Fielding, Irish Small and Medium Enterprises Association (ISME) Patricia Callan, Small Firms Association	Module 2, *Session 1*
5 April 2012	Noelle O'Connell, European Movement Ireland Brendan Halligan, Institute of International and European Affairs Bríd O'Brien, Irish National Organisation of the Unemployed	Module 2, *Session 2*
5 April 2012	Roderic O'Gorman, Green Party Declan Ganley, Libertas Institute Cllr. Andrew Muir, Alliance Party	Module 2, *Session 3*
17 April 2012	Joe Higgins TD, United Left Alliance	Module 2, *Session 4*
17 April 2012	Micheál Martin TD, Leader of Fianna Fáil	Module 2, *Session 5*
17 April 2012	Eamon Gilmore TD, Leader of the Labour Party	Module 2, *Session 6*
17 April 2012	Catherine Murphy TD, Technical Group Whip	Module 2, *Session 7*
18 April 2012	Jimmy Kelly, Unite Michael Taft, Unite Dr. Brian Lucey, Trinity College Dublin Megan Greene, Roubini Global Economics	Module 3, *Session 3*

18 April 2012	Prof. Gerry Whyte, Trinity College Dublin Ian Talbot, Chambers Ireland Prof. Terrence McDonough, National University of Ireland, Galway Dr. Andrew Storey, University College Dublin	Module 3, *Session 4*
19 April 2012	Margaret Ritchie MP, SDLP	Module 2, *Session 8*
25 April 2012	Gerry Adams TD, Leader of Sinn Féin	Module 2, *Session 9*
26 April 2012	Jonas Sjöstedt MP	Module 1, *Session 4*
26 April 2012	Enda Kenny TD, Leader of Fine Gael	Module 2, *Session 10*
27 April 2012	Jack O’Connor, General President of SIPTU	Module 2, *Session 11*

Appendix 4: Text of the Treaty

TREATY ON STABILITY, COORDINATION AND GOVERNANCE
IN THE ECONOMIC AND MONETARY UNION BETWEEN
THE KINGDOM OF BELGIUM, THE REPUBLIC OF BULGARIA,
THE KINGDOM OF DENMARK, THE FEDERAL REPUBLIC OF GERMANY,
THE REPUBLIC OF ESTONIA, IRELAND, THE HELLENIC REPUBLIC,
THE KINGDOM OF SPAIN, THE FRENCH REPUBLIC,
THE ITALIAN REPUBLIC, THE REPUBLIC OF CYPRUS, THE REPUBLIC OF LATVIA,
THE REPUBLIC OF LITHUANIA, THE GRAND DUCHY OF LUXEMBOURG, HUNGARY,
MALTA, THE KINGDOM OF THE NETHERLANDS, THE REPUBLIC OF AUSTRIA,
THE REPUBLIC OF POLAND, THE PORTUGUESE REPUBLIC, ROMANIA,
THE REPUBLIC OF SLOVENIA, THE SLOVAK REPUBLIC,
THE REPUBLIC OF FINLAND AND THE KINGDOM OF SWEDEN

THE KINGDOM OF BELGIUM, THE REPUBLIC OF BULGARIA, THE KINGDOM OF DENMARK, THE FEDERAL REPUBLIC OF GERMANY, THE REPUBLIC OF ESTONIA, IRELAND, THE HELLENIC REPUBLIC, THE KINGDOM OF SPAIN, THE FRENCH REPUBLIC, THE ITALIAN REPUBLIC, THE REPUBLIC OF CYPRUS, THE REPUBLIC OF LATVIA, THE REPUBLIC OF LITHUANIA, THE GRAND DUCHY OF LUXEMBOURG, HUNGARY, MALTA, THE KINGDOM OF THE NETHERLANDS, THE REPUBLIC OF AUSTRIA, THE REPUBLIC OF POLAND, THE PORTUGUESE REPUBLIC, ROMANIA, THE REPUBLIC OF SLOVENIA, THE SLOVAK REPUBLIC, THE REPUBLIC OF FINLAND AND THE KINGDOM OF SWEDEN,

hereinafter referred to as "the Contracting Parties";

CONSCIOUS of their obligation, as Member States of the European Union, to regard their economic policies as a matter of common concern;

DESIRING to promote conditions for stronger economic growth in the European Union and, to that end, to develop ever-closer coordination of economic policies within the euro area;

BEARING IN MIND that the need for governments to maintain sound and sustainable public finances and to prevent a general government deficit becoming excessive is of essential importance to safeguard the stability of the euro area as a whole, and accordingly, requires the introduction of specific rules, including a "balanced budget rule" and an automatic mechanism to take corrective action;

CONSCIOUS of the need to ensure that their general government deficit does not exceed 3 % of their gross domestic product at market prices and that their general government debt does not exceed, or is sufficiently declining towards, 60 % of their gross domestic product at market prices;

RECALLING that the Contracting Parties, as Member States of the European Union, are to refrain from any measure which could jeopardise the attainment of the Union's objectives in the framework of the economic union, particularly the practice of accumulating debt outside the general government accounts;

BEARING IN MIND that the Heads of State or Government of the euro area Member States agreed on 9 December 2011 on a reinforced architecture for economic and monetary union, building upon the Treaties on which the European Union is founded and facilitating the implementation of measures taken on the basis of Articles 121, 126 and 136 of the Treaty on the Functioning of the European Union;

BEARING IN MIND that the objective of the Heads of State or Government of the euro area Member States and of other Member States of the European Union is to incorporate the provisions of this Treaty as soon as possible into the Treaties on which the European Union is founded;

WELCOMING the legislative proposals made by the European Commission for the euro area, within the framework of the Treaties on which the European Union is founded, on 23 November 2011, on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability, and on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States, and TAKING NOTE of the European Commission's intention to present further legislative proposals for the euro area concerning, in particular, ex ante reporting of debt issuance plans, economic partnership programmes detailing structural reforms for Member States under an excessive deficit procedure as well as the coordination of major economic policy reform plans of Member States;

EXPRESSING their readiness to support proposals which the European Commission might present to further strengthen the Stability and Growth Pact by introducing, for Member States whose currency is the euro, a new range for medium-term objectives in line with the limits established in this Treaty;

TAKING NOTE that, when reviewing and monitoring the budgetary commitments under this Treaty, the European Commission will act within the framework of its powers, as provided by the Treaty on the Functioning of the European Union, in particular Articles 121, 126 and 136 thereof;

NOTING in particular that, in respect of the application of the "balanced budget rule" set out in Article 3 of this Treaty, that monitoring will be carried out through the setting up, for each Contracting Party, of country-specific medium-term objectives and of calendars of convergence, as appropriate;

NOTING that the medium-term objectives should be updated regularly on the basis of a commonly agreed method, the main parameters of which are also to be reviewed regularly, reflecting appropriately the risks of explicit and implicit liabilities for public finance, as embodied in the aims of the Stability and Growth Pact;

NOTING that sufficient progress towards the medium-term objectives should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures, in line with the provisions specified under European Union law, in particular Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, as amended by Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 ("the revised Stability and Growth Pact");

NOTING that the correction mechanism to be introduced by the Contracting Parties should aim at correcting deviations from the medium-term objective or the adjustment path, including their cumulated impact on government debt dynamics;

NOTING that compliance with the Contracting Parties' obligation to transpose the "balanced budget rule" into their national legal systems, through binding, permanent and preferably constitutional provisions, should be subject to the jurisdiction of the Court of Justice of the European Union, in accordance with Article 273 of the Treaty on the Functioning of the European Union;

RECALLING that Article 260 of the Treaty on the Functioning of the European Union empowers the Court of Justice of the European Union to impose a lump sum or penalty payment on a Member State of the European Union which has failed to comply with one of its judgments and RECALLING that the European Commission has established criteria for determining the lump sum or penalty payment to be imposed in the framework of that Article;

RECALLING the need to facilitate the adoption of measures under the excessive deficit procedure of the European Union in respect of Member States whose currency is the euro and whose planned or actual ratio of general government deficit to gross domestic product exceeds 3 %, whilst strongly reinforcing the objective of that procedure, namely to encourage and, if necessary, compel a Member State to reduce a deficit which might be identified;

RECALLING the obligation for those Contracting Parties whose general government debt exceeds the 60 % reference value to reduce it at an average rate of one twentieth per year as a benchmark;

BEARING IN MIND the need to respect, in the implementation of this Treaty, the specific role of the social partners, as it is recognised in the laws or national systems of each of the Contracting Parties;

STRESSING that no provision of this Treaty is to be interpreted as altering in any way the economic policy conditions under which financial assistance has been granted to a Contracting Party in a stabilisation programme involving the European Union, its Member States or the International Monetary Fund;

NOTING that the proper functioning of the economic and monetary union requires the Contracting Parties to work jointly towards an economic policy where, whilst building upon the mechanisms of economic policy coordination, as defined in the Treaties on which the European Union is founded, they take the necessary actions and measures in all the areas which are essential to the proper functioning of the euro area;

NOTING, in particular, the wish of the Contracting Parties to make a more active use of enhanced cooperation, as provided for in Article 20 of the Treaty on European Union and Articles 326 to 334 of the Treaty on the Functioning of the European Union, without undermining the internal market, and their wish to have full recourse to measures specific to the Member States whose currency is the euro pursuant to Article 136 of the Treaty on the Functioning of the European Union, and to a procedure for the ex ante discussion and coordination among the Contracting Parties whose currency is the euro of all major economic policy reforms planned by them, with a view to benchmarking best practices;

RECALLING the agreement of the Heads of State or Government of the euro area Member States, of 26 October 2011, to improve the governance of the euro area, including the holding of at least two Euro Summit meetings per year, to be convened, unless justified by exceptional circumstances, immediately after meetings of the European Council or meetings with the participation of all Contracting Parties having ratified this Treaty;

RECALLING also the endorsement by the Heads of State or Government of the euro area Member States and of other Member States of the European Union, on 25 March 2011, of the Euro Plus Pact, which identifies the issues that are essential to fostering competitiveness in the euro area;

STRESSING the importance of the Treaty establishing the European Stability Mechanism as an element of the global strategy to strengthen the economic and monetary union and POINTING OUT that the granting of financial assistance in the framework of new programmes under the European Stability Mechanism will be conditional, as of 1 March 2013, on the ratification of this Treaty by the Contracting Party concerned and, as soon as the transposition period referred to in Article 3(2) of this Treaty has expired, on compliance with the requirements of that Article;

NOTING that the Kingdom of Belgium, the Federal Republic of Germany, the Republic of Estonia, Ireland, the Hellenic Republic, the Kingdom of Spain, the French Republic, the Italian Republic, the Republic of Cyprus, the Grand Duchy of Luxembourg, Malta, the Kingdom of the Netherlands, the Republic of Austria, the Portuguese Republic, the Republic of Slovenia, the Slovak Republic and the Republic of Finland are Contracting Parties whose currency is the euro and that, as such, they will be bound by this Treaty from the first day of the month following the deposit of their instrument of ratification if the Treaty is in force at that date;

NOTING ALSO that the Republic of Bulgaria, the Kingdom of Denmark, the Republic of Latvia, the Republic of Lithuania, Hungary, the Republic of Poland, Romania and the Kingdom of Sweden are Contracting Parties which, as Member States of the European Union, have, at the date of signature of this Treaty, a derogation or an exemption from participation in the single currency and may be bound, as long as such derogation or exemption is not abrogated, only by those provisions of Titles III and IV of this Treaty by which they declare, on depositing their instrument of ratification or at a later date, that they intend to be bound;

HAVE AGREED UPON THE FOLLOWING PROVISIONS:

TITLE I

PURPOSE AND SCOPE

ARTICLE 1

1. By this Treaty, the Contracting Parties agree, as Member States of the European Union, to strengthen the economic pillar of the economic and monetary union by adopting a set of rules intended to foster budgetary discipline through a fiscal compact, to strengthen the coordination of their economic policies and to improve the governance of the euro area, thereby supporting the achievement of the European Union's objectives for sustainable growth, employment, competitiveness and social cohesion.

2. This Treaty shall apply in full to the Contracting Parties whose currency is the euro. It shall also apply to the other Contracting Parties to the extent and under the conditions set out in Article 14.

TITLE II

CONSISTENCY AND RELATIONSHIP WITH THE LAW OF THE UNION

ARTICLE 2

1. This Treaty shall be applied and interpreted by the Contracting Parties in conformity with the Treaties on which the European Union is founded, in particular Article 4(3) of the Treaty on European Union, and with European Union law, including procedural law whenever the adoption of secondary legislation is required.

2. This Treaty shall apply insofar as it is compatible with the Treaties on which the European Union is founded and with European Union law. It shall not encroach upon the competence of the Union to act in the area of the economic union.

TITLE III

FISCAL COMPACT

ARTICLE 3

1. The Contracting Parties shall apply the rules set out in this paragraph in addition and without prejudice to their obligations under European Union law:

(a) the budgetary position of the general government of a Contracting Party shall be balanced or in surplus;

(b) the rule under point (a) shall be deemed to be respected if the annual structural balance of the general government is at its country-specific medium-term objective, as defined in the revised Stability and Growth Pact, with a lower limit of a structural deficit of 0,5 % of the gross domestic product at market prices. The Contracting Parties shall ensure rapid convergence towards their respective medium-term objective. The time-frame for such convergence will be proposed by the European Commission taking into consideration country-specific sustainability risks. Progress towards, and respect of, the medium-term objective shall be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures, in line with the revised Stability and Growth Pact;

(c) the Contracting Parties may temporarily deviate from their respective medium-term objective or the adjustment path towards it only in exceptional circumstances, as defined in point (b) of paragraph 3;

(d) where the ratio of the general government debt to gross domestic product at market prices is significantly below 60 % and where risks in terms of long-term sustainability of public finances are low, the lower limit of the medium-term objective specified under point (b) can reach a structural deficit of at most 1,0 % of the gross domestic product at market prices;

(e) in the event of significant observed deviations from the medium-term objective or the adjustment path towards it, a correction mechanism shall be triggered automatically. The mechanism shall include the obligation of the Contracting Party concerned to implement measures to correct the deviations over a defined period of time.

2. The rules set out in paragraph 1 shall take effect in the national law of the Contracting Parties at the latest one year after the entry into force of this Treaty through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes. The Contracting Parties shall put in place at national level the correction mechanism referred to in paragraph 1(e) on the basis of common principles to be proposed by the European Commission, concerning in particular the nature, size and time-frame of the corrective action to be undertaken, also in the case of exceptional circumstances, and the role and independence of the institutions responsible at national level for monitoring compliance with the rules set out in paragraph 1. Such correction mechanism shall fully respect the prerogatives of national Parliaments.

3. For the purposes of this Article, the definitions set out in Article 2 of the Protocol (No 12) on the excessive deficit procedure, annexed to the European Union Treaties, shall apply.

The following definitions shall also apply for the purposes of this Article:

(a) "annual structural balance of the general government" refers to the annual cyclically-adjusted balance net of one-off and temporary measures;

(b) "exceptional circumstances" refers to the case of an unusual event outside the control of the Contracting Party concerned which has a major impact on the financial position of the general government or to periods of severe economic downturn as set out in the revised Stability and Growth Pact, provided that the temporary deviation of the Contracting Party concerned does not endanger fiscal sustainability in the medium-term.

ARTICLE 4

When the ratio of a Contracting Party's general government debt to gross domestic product exceeds the 60 % reference value referred to in Article 1 of the Protocol (No 12) on the excessive deficit procedure, annexed to the European Union Treaties, that Contracting Party shall reduce it at an average rate of one twentieth per year as a benchmark, as provided for in Article 2 of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, as amended by Council Regulation (EU) No 1177/2011 of 8 November 2011. The existence of an excessive deficit due to the breach of the debt criterion will be decided in accordance with the procedure set out in Article 126 of the Treaty on the Functioning of the European Union.

ARTICLE 5

1. A Contracting Party that is subject to an excessive deficit procedure under the Treaties on which the European Union is founded shall put in place a budgetary and economic partnership programme including a detailed description of the structural reforms which must be put in place and implemented to ensure an effective and durable correction of its excessive deficit. The content and format of such programmes shall be defined in European Union law. Their submission to the Council of the European Union and to the European Commission for endorsement and their monitoring will take place within the context of the existing surveillance procedures under the Stability and Growth Pact.

2. The implementation of the budgetary and economic partnership programme, and the yearly budgetary plans consistent with it, will be monitored by the Council of the European Union and by the European Commission .

ARTICLE 6

With a view to better coordinating the planning of their national debt issuance, the Contracting Parties shall report ex-ante on their public debt issuance plans to the Council of the European Union and to the European Commission .

ARTICLE 7

While fully respecting the procedural requirements of the Treaties on which the European Union is founded, the Contracting Parties whose currency is the euro commit to supporting the proposals or recommendations submitted by the European Commission where it considers that a Member State of the European Union whose currency is the euro is in breach of the deficit criterion in the framework of an excessive deficit procedure. This obligation shall not apply where it is established among the Contracting Parties whose currency is the euro that a qualified majority of them, calculated by analogy with the relevant provisions of the Treaties on which the European Union is founded, without taking into account the position of the Contracting Party concerned, is opposed to the decision proposed or recommended.

ARTICLE 8

1. The European Commission is invited to present in due time to the Contracting Parties a report on the provisions adopted by each of them in compliance with Article 3(2). If the European Commission, after having given the Contracting Party concerned the opportunity to submit its observations, concludes in its report that such Contracting Party has failed to comply with Article 3(2), the matter will be brought to the Court of Justice of the European Union by one or more Contracting Parties. Where a Contracting Party considers, independently of the Commission's report, that another Contracting Party has failed to comply with Article 3(2), it may also bring the matter to the Court of Justice. In both cases, the judgment of the Court of Justice shall be binding on the parties to the proceedings, which shall take the necessary measures to comply with the judgment within a period to be decided by the Court of Justice.

2. Where, on the basis of its own assessment or that of the European Commission, a Contracting Party considers that another Contracting Party has not taken the necessary measures to comply with the judgment of the Court of Justice referred to in paragraph 1, it may bring the case before the Court of Justice and request the imposition of financial sanctions following criteria established by the European Commission in the framework of Article 260 of the Treaty on the Functioning of the European Union. If the Court of Justice finds that the Contracting Party concerned has not complied with its judgment, it may impose on it a lump sum or a penalty payment appropriate in the circumstances and that shall not exceed 0,1 % of its gross domestic product. The amounts imposed on a Contracting Party whose currency is the euro shall be payable to the European Stability Mechanism. In other cases, payments shall be made to the general budget of the European Union.

3. This Article constitutes a special agreement between the Contracting Parties within the meaning of Article 273 of the Treaty on the Functioning of the European Union.

TITLE IV

ECONOMIC POLICY COORDINATION AND CONVERGENCE

ARTICLE 9

Building upon economic policy coordination, as defined in the Treaty on the Functioning of the European Union, the Contracting Parties undertake to work jointly towards an economic policy that fosters the proper functioning of the economic and monetary union and economic growth through enhanced convergence and competitiveness. To that end, the Contracting Parties shall take the necessary actions and measures in all the areas which are essential to the proper functioning of the euro area in pursuit of the objectives of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability.

ARTICLE 10

In accordance with the requirements of the Treaties on which the European Union is founded, the Contracting Parties stand ready to make active use, whenever appropriate and necessary, of measures specific to those Member States whose currency is the euro, as provided for in Article 136 of the Treaty on the Functioning of the European Union, and of enhanced cooperation, as provided for in Article 20 of the Treaty on European Union and in Articles 326 to 334 of the Treaty on the Functioning of the European Union on matters that are essential for the proper functioning of the euro area, without undermining the internal market.

ARTICLE 11

With a view to benchmarking best practices and working towards a more closely coordinated economic policy, the Contracting Parties ensure that all major economic policy reforms that they plan to undertake will be discussed ex-ante and, where appropriate, coordinated among themselves. Such coordination shall involve the institutions of the European Union as required by European Union law.

TITLE V

GOVERNANCE OF THE EURO AREA

ARTICLE 12

1. The Heads of State or Government of the Contracting Parties whose currency is the euro shall meet informally in Euro Summit meetings, together with the President of the European Commission. The President of the European Central Bank shall be invited to take part in such meetings.

The President of the Euro Summit shall be appointed by the Heads of State or Government of the Contracting Parties whose currency is the euro by simple majority at the same time as the European Council elects its President and for the same term of office.

2. Euro Summit meetings shall take place when necessary, and at least twice a year, to discuss questions relating to the specific responsibilities which the Contracting Parties whose currency is the euro share with regard to the single currency, other issues concerning the governance of the euro area and the rules that apply to it, and strategic orientations for the conduct of economic policies to increase convergence in the euro area.

3. The Heads of State or Government of the Contracting Parties other than those whose currency is the euro, which have ratified this Treaty, shall participate in discussions of Euro Summit meetings concerning competitiveness for the Contracting Parties, the modification of the global architecture of the euro area and the fundamental rules that will apply to it in the future, as well as, when appropriate and at least once a year, in discussions on specific issues of implementation of this Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

4. The President of the Euro Summit shall ensure the preparation and continuity of Euro Summit meetings, in close cooperation with the President of the European Commission. The body charged with the preparation of and follow up to the Euro Summit meetings shall be the Euro Group and its President may be invited to attend such meetings for that purpose.

5. The President of the European Parliament may be invited to be heard. The President of the Euro Summit shall present a report to the European Parliament after each Euro Summit meeting.

6. The President of the Euro Summit shall keep the Contracting Parties other than those whose currency is the euro and the other Member States of the European Union closely informed of the preparation and outcome of the Euro Summit meetings.

ARTICLE 13

As provided for in Title II of Protocol (No 1) on the role of national Parliaments in the European Union annexed to the European Union Treaties, the European Parliament and the national Parliaments of the Contracting Parties will together determine the organisation and promotion of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies and other issues covered by this Treaty.

TITLE VI

GENERAL AND FINAL PROVISIONS

ARTICLE 14

1. This Treaty shall be ratified by the Contracting Parties in accordance with their respective constitutional requirements. The instruments of ratification shall be deposited with the General Secretariat of the Council of the European Union ("the Depositary").

2. This Treaty shall enter into force on 1 January 2013, provided that twelve Contracting Parties whose currency is the euro have deposited their instrument of ratification, or on the first day of the month following the deposit of the twelfth instrument of ratification by a Contracting Party whose currency is the euro, whichever is the earlier.

3. This Treaty shall apply as from the date of entry into force amongst the Contracting Parties whose currency is the euro which have ratified it. It shall apply to the other Contracting Parties whose currency is the euro as from the first day of the month following the deposit of their respective instrument of ratification.

4. By derogation from paragraphs 3 and 5, Title V shall apply to all Contracting Parties concerned as from the date of entry into force of this Treaty.

5. This Treaty shall apply to the Contracting Parties with a derogation, as defined in Article 139(1) of the Treaty on the Functioning of the European Union, or with an exemption, as referred to in Protocol (No 16) on certain provisions related to Denmark annexed to the European Union Treaties, which have ratified this Treaty, as from the date when the decision abrogating that derogation or exemption takes effect, unless the Contracting Party concerned declares its intention to be bound at an earlier date by all or part of the provisions in Titles III and IV of this Treaty.

ARTICLE 15

This Treaty shall be open to accession by Member States of the European Union other than the Contracting Parties. Accession shall be effective upon depositing the instrument of accession with the Depositary, which shall notify the other Contracting Parties thereof. Following authentication by the Contracting Parties, the text of this Treaty in the official language of the acceding Member State that is also an official language and a working language of the institutions of the Union, shall be deposited in the archives of the Depositary as an authentic text of this Treaty.

ARTICLE 16

Within five years, at most, of the date of entry into force of this Treaty, on the basis of an assessment of the experience with its implementation, the necessary steps shall be taken, in accordance with the Treaty on the European Union and the Treaty on the Functioning of the European Union, with the aim of incorporating the substance of this Treaty into the legal framework of the European Union.

Done at Brussels this second day of March in the year two thousand and twelve.

This Treaty, drawn up in a single original in the Bulgarian, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish and Swedish languages, each text being equally authentic, shall be deposited in the archives of the Depositary, which shall transmit a certified copy to each of the Contracting Parties.